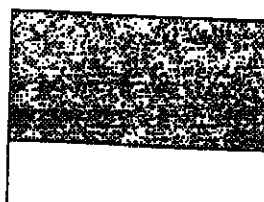
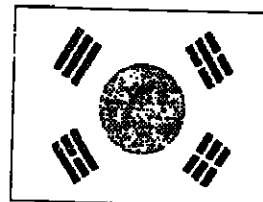


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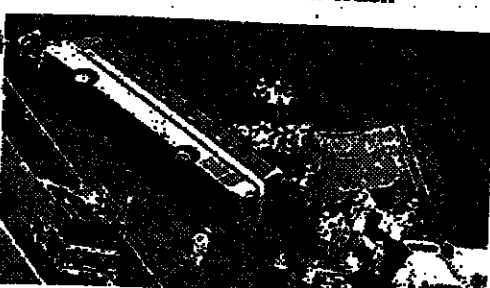
THURSDAY NOVEMBER 11, 1993

Page 1

US agrees next stage of Concorde replacement

The US National Aeronautics and Space Administration will start work next year on the air frame, propulsion and systems technologies of a 300-seat supersonic airliner to replace the Anglo-French Concorde. This second phase of the project is expected to last seven years and to cost \$1.2bn. Page 14

Ten die in US tourist coach crash



Ten people were killed and 36 injured, two of them seriously, when a coach (above) carrying 44 American tourists on a day trip to Canterbury in south-east England slid off a motorway and plunged down an embankment.

Moderate US inflation rates: The underlying rate of US inflation remained moderate despite a 0.4 per cent gain in consumer prices last month, the Labour Department said. The year-on-year rate of inflation rose to 2.8 per cent. Page 4

VW loss cut: Group net profits of DM70m (\$43.2m) in the third quarter helped Volkswagen reduce losses for the first nine months of this year to DM1.53bn. Page 15

News Corporation, media, film and publishing group, reported a 21.4 per cent increase in third-quarter after-tax profits to \$282.3m (US\$175m). Associated companies, including satellite broadcaster BSkyB, were largely responsible. Page 15; Lex, Page 14

Gore scores on Nafta: Vice-President Al Gore was judged the clear winner in Tuesday night's debate with Ross Perot on the North American Free Trade Agreement ahead of next week's crucial House of Representatives vote on the issue. Page 5; No such thing as a free treaty, Page 13

Diabetes success: A drug produced by Bristol-Myers Squibb, US drug company, has reduced deaths from diabetes by 50 per cent. Page 15; Medicines sales down, Page 5

US-UK link-up to fight fraud: The US and Britain signed an unprecedented agreement establishing a US-UK police team to investigate fraud and financial crime in Britain's five dependent territories in the Caribbean. Page 7

London SE boss: Michael Lawrence, finance director of the Prudential Corporation, biggest UK insurer, is expected to be named chief executive of the London Stock Exchange today. Page 7

AT&T favoured over BT: Corporate customers of British Telecommunications believe AT&T, US telecommunications giant, would give a better all-round service than BT in the UK, according to an industry survey. Page 8

European joblessness to rise: Unemployment in the European Union will continue to rise until mid-1995, with more than 18m people expected to be out of work in the next two years, the European Commission forecast. Page 2

Eight Russian groups barred: The Russian election commission disqualified eight of the 21 political groups which had sought to register for parliamentary elections on December 12, because they did not gather the required 100,000 signatures. Page 3; Russia's future may be another country, Page 3

'Prime sites' for Nigerian ministers: Nigerian government ministers and senior army officers have been allocated prime building sites on land in Lagos, according to evidence filed in the High Court. Page 6

US tax penalty for Nissan: The Japanese carmaker has paid nearly ¥17bn (\$160.4m) in penalty taxes to the US Internal Revenue Service, after a ruling it avoided US taxes by transferring income from the US to Japan. Page 6

Construction chief holds Francesco Calitragne, chairman of the Calitragne CALLMI group, one of Italy's largest cement and construction groups, was arrested in connection with the country's corruption investigations.

Euro Disney shares plunge as \$930m loss is announced

By John Ridding in Paris and Martin Dickson in New York

EURO DISNEY, the European leisure group controlled by Walt Disney of the US, yesterday announced a net loss of FF5.3bn (\$930m) for the year to September 30, prompting a sharp fall in the company's shares on international stock markets.

The losses were higher than expected, and included a write-off of FF3.6bn for pre-opening costs at the Euro Disneyland theme park in the eastern outskirts of Paris, and for planned redundancies.

The exceptional charges represented a serious blow to the company's capital base, reducing shareholders' equity to just FF1.5bn compared with FF7.7bn at the end of September last year, using French accounting standards.

Euro Disney said it had written off all of its pre-opening costs, including marketing and training expenses, to improve its future

Worse-than-expected results increase pressure on parent company for capital restructuring to rescue leisure group

results. But the scale of the losses increased the urgency of capital restructuring at the group and put pressure on Walt Disney to help rescue the European leisure company.

Mr Philippe Bourguignon, Euro Disney's chairman, said the company would require significant funding throughout the current financial year. He said negotiations were underway with its banks and Walt Disney and that he hoped to complete a restructuring plan soon.

Industry observers said the late of Euro Disney largely rested in the hands of Walt Disney.

"It is make-your-mind-up time," said one analyst.

He said the US group faced a difficult choice between serving the interests of its own shareholders and suffering the damage

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■ White-knuckle ride for fantasyland investors
■ Lex
■ Walt Disney results Page 17

to its image that would result from a closure of Euro Disneyland.

Walt Disney, which holds 49 per cent of the shares in the Euro Disney, said it would provide finance for Euro Disney for a limited period to enable it to achieve a financial restructuring by spring 1994.

Euro Disney's shares fell sharply in London and Paris. In London, shares fell by 72p to 436p following the results announcement.

In Paris, shares in the company were temporarily suspended and fell by FF5.7 to FF7.35.

The bulk of its losses for the year to September 30 reflected the exceptional charges relating to pre-opening costs and provisions for a planned reduction in staff from 11,100 to just over 10,000.

The net loss before exceptional items was FF1.7bn, which was achieved on revenues of FF5.7bn.

Despite the grim results, Mr Bourguignon said Euro Disney was Europe's most popular leisure destination, attracting 17m visitors in its first 18 months of operation.

In view of the uncertainty surrounding Euro Disney, Walt Disney yesterday took a \$350m (\$231.7m) charge against fourth

quarter earnings to establish full reserves for the temporary funding and for receivables due from the French associate.

Walt Disney said the charge divided roughly evenly between temporary funding and receivables.

Walt Disney's charge, together with its share of Euro Disney's operating losses, meant the US company recorded a total \$414.5m loss from the European venture in the quarter and \$514.7m in the full year.

That in turn pushed Walt Disney into a fourth quarter net loss of \$77.8m, compared with net income of \$233.7m in the same period of last year.

Walt Disney's shares dipped 3% in heavy trading on the New York Stock Exchange, to stand at \$40 at lunchtime.

Britain fears that time is running out for agreement with China over Hong Kong

Major wants to speed up talks on Patten plan

By Alexander Nicoll and Kevin Brown in London and Simon Holberton in Hong Kong

THE BRITISH government yesterday gave strong support to the efforts of Mr Chris Patten, Hong Kong's governor, to broaden democracy in the colony and asked China to accelerate negotiations on his proposals.

Mr Douglas Hurd, foreign secretary, said after a cabinet committee meeting chaired by Mr John Major, the prime minister, that London had proposed "that we move into a more intensive phase (of talks) straight away to try to reach agreement on the outstanding issues."

Britain wants to reach agreement quickly on uncontroversial aspects of elections in Hong Kong next year and in 1995, so that negotiations can focus on the issues most in dispute with Beijing.

However, after 15 rounds of talks over six months in which there has been little progress, ministers indicated that they would not allow negotiations to continue indefinitely.

Mr Major told a London busi-

ness conference on Hong Kong: "Time is now very short. I do not believe, and nor does the governor, that an agreement is worth any price although we will do our best to get one."

The prime minister said he recognised that "some in the business community would prefer that we did not have this argument." But he said it was unavoidable. "The point at issue is a vital one. We owe it to the people of Hong Kong to hold elections which give them a genuine choice."

Mr Hurd said: "It is weeks rather than months in which we have to reach a conclusion." He said quick agreement on uncontroversial matters would enable the legislative work to begin in Hong Kong.

Officials said this would provide more time for further talks on the main issues, though they cautioned that an agreement would still be needed by the end of the year to permit elections.

The issues most in dispute are expansion of "functional constituencies" from which business groups will elect 30 legislators; an election committee which will



Talking about the talks: Hong Kong governor Chris Patten (left) with foreign secretary Douglas Hurd

elect 10 legislators; and the "through train" - retention of office by all 60 legislators elected in 1995 until 1999, two years after China assumes sovereignty over Hong Kong in 1997.

China indicated privately last week that it may be prepared to settle on the smaller issues. Brit

Continued on Page 14

Paramount pays \$553m for US publisher Macmillan

By Raymond Snoddy in London

MACMILLAN, the largest US business in the empire of the late Mr Robert Maxwell, was sold yesterday to Paramount Communications which outbid rivals with an offer of \$552.75m.

Paramount owns publishing imprints such as Simon & Schuster and Prentice Hall. Its unsuccessful rivals in the final round of bidding are believed to be Harcourt Brace Jovanovich, the US educational publishers, K-11, the US magazine company, and Pearson, the UK publishing and information group that owns the Financial Times.

The sale agreement takes the gross total raised by administrators Price Waterhouse from the sale of Maxwell Communication Corporation's US interests beyond \$1.5bn. Mr Mark Homan of Price Waterhouse said he believed the net figure would fall within the predicted range of \$700m-\$1.1bn.

"We are looking pretty good on that," Mr Homan said. He added that he believed the main Maxwell disposals in the US could be wrapped up by the end of the year.

Offers are now being received for the last significant US business, Standard Rate and Data, the specialist advertising industry publication.

The purchase of Macmillan will considerably strengthen the publishing interests of Paramount, itself in \$100m merger talks with Viacom, the US cable and television company.

Mr Martin Davis, chairman and chief executive of Paramount Communications, said yesterday the transaction was "a significant step in furthering our strategic objective of creating proprietary intellectual properties that can be distributed through a wide variety of media, from printed pages to computer and video screens."

As part of the sale, a reorgani-

sation plan was yesterday filed under Chapter 11 in the US Bankruptcy Court. Price Waterhouse said that this was a technical step needed "to remove the uncertainty created by Robert Maxwell's involvement with Macmillan Inc."

During a transition period expected to last about three months, Mr Jonathan Newcomb, president and chief operating officer, and Mr Andrew Evans, chief finance officer of Paramount Publishing, will work with the Macmillan management on combining the two companies.

Mr Richard Snyder, chairman of Paramount Publishing, said the two businesses were complementary and "significant savings" were expected from integration.

Macmillan's backlist of authors includes Hemingway and Faulkner and its publishing interests range from college and reference to children's books and general fiction.



SOMETHING TOLD ALEXIS THAT THE MIXTURE OF COMPUTERS AND FOOTBALL WAS GOING TO BE A HEADY BREW

The FIFA World Cup is the world's largest single-sport event. In 1990, one billion people watched. World Cup 94 promises to be bigger than ever. More matches, more teams, more spectators - and more problems to solve.

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STOCK MARKET INDICES				STERLING			
FT-SE 100	3,086.5	(+2.5)		New York: DOW Jones	1,477.5		
Yield	3.82			London	1,476	(1,488)	
FT-SE Eurotrack 100	1,334.9	(+1.17)		DM	2,407.5	(2,439)	
FT-A All-Share	1,529.31	(+0.19)		FF	8,705	(8,685)	
Nikkei	18,121.71	(+1.8)		Sfr	2,282.5	(2,197.5)	
New York: S&P 500	2,655.44	(+15.37)		Y	158.25	(158.0)	
Dow Jones Ind. Ave	2,655.44	(+15.37)		£ Index	88.4	(88.1)	
S&P Composite	462.49	(+2.16)					
US LUNCHTIME RATES				DOLLAR			
Federal Funds	5%			New York: DOW Jones	1,477.5		
3-mo T-bill	5.18%			London	1,476	(1,488)	
Long Bond	100%			DM	2,407.5	(2,439)	
Yield	5.18%			FF	8,705	(8,685)	
LONDON MONEY				Sfr	2,282.5	(2,197.5)	
3-mo interbank	5.18%	(5.18%)		Y	158.25	(158.0)	
Life long gilt future	Dec 11/93 (Dec 11/94)			£ Index	88.4	(88.1)	
NORTH SEA OIL (Argus)							
Brent 15-day (Dec)	\$15.52	(15.52)					
Oil							
New York: COMEX (Dec)	\$377.4	(375.5)					
London	\$376.75	(375.5)					
Tokyo close	¥107.88						

NEWS: EUROPE

German taxman's fears confirmed

By Quentin Peel in Bonn

THE German taxman's worst fears of tax evasion appear to have been confirmed. Instead of getting DM24bn (\$14.8bn) this year from a controversial new tax on investment income, the likely receipts are expected to be less than half, around DM11bn.

The figures have emerged in the latest tax estimate published by a special working group of finance officials. They show a new drop in overall public sector revenues this year of DM3.7bn and next year of DM9.3bn.

As a result, the federal government's budget deficit is expected to reach DM73bn-74bn this year and DM75bn-76bn in 1994.

While the most important element in the overall shortfall is the slowdown in the German economy and the steady decline in interest rates, tax evasion is also thought to have played a significant role.

In particular, officials believe there has been a big rise in the transfer of investment income from German bank accounts to foreign accounts, above all in neighbouring Luxembourg, where bankers' tell tales.

Opposition politicians called yesterday for tighter banking controls to close the obvious

A new financial package to build Germany's first magnetic hovertrain, known as the Transrapid, and costing an estimated DM9bn (\$5.6bn), will be presented to the German government in early December, writes Quentin Peel.

A spokesman for the industrial consortium backing the plan for the 400kph (250mph) "whispering arrow" train said the package would seek to raise the proportion of private finance for the project, in the light of the German government's current budget stringency.

loophole in the taxation of investment income, which has taken the form, since last January 1, of tax withholding on interest income paid into German bank accounts.

A red-faced Finance Ministry in Bonn confirmed the tax estimates for investment taxation yesterday, but insisted that the net effects of the miscalculation were not as bad as they might appear. A spokesman explained that the original estimate of a gross income of almost DM24bn was based on the assumption that some DM17bn was already paid on investment income in the form of income and corporate taxation. Thus the net revenues

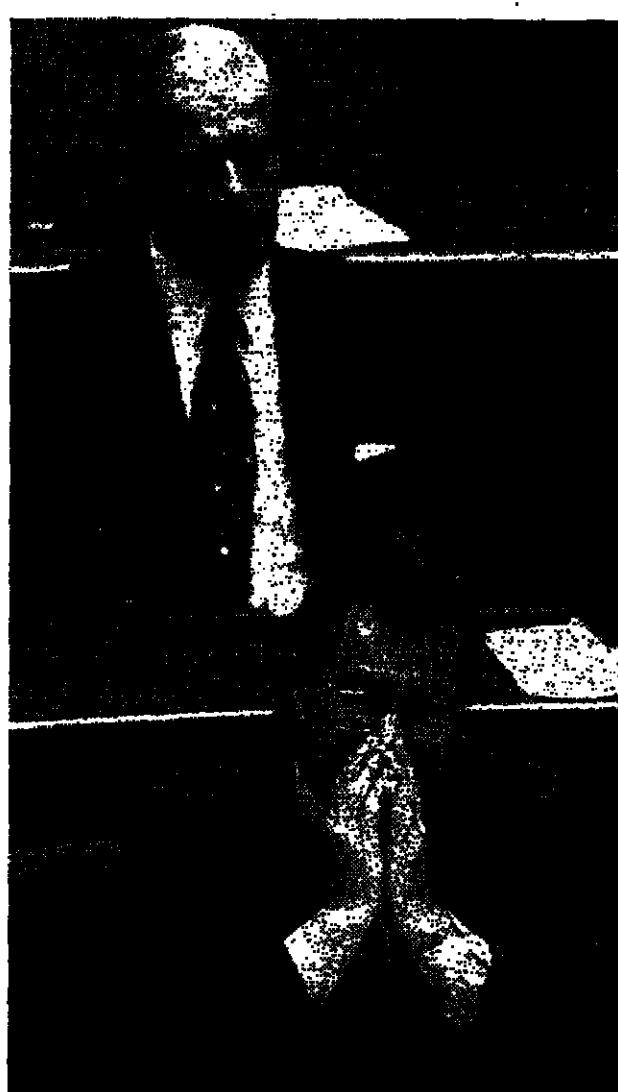
were assumed at only DM7bn.

A further DM4bn had to be deducted because of the high tax thresholds introduced, precisely in order to discourage the ordinary income earner from switching his money to offshore bank accounts. Thus the final net income assumed in the Finance Ministry model was only DM3bn.

The spokesman said that the real miscalculation appeared to be the figure of DM17bn as the assumed amount of investment income tax paid under the old regulations, before the new tax was introduced. That figure was now certain to be much less. He estimated that the net loss to the exchequer would be between DM2bn and DM4bn.

Whatever happens, Mr Theo Waigel, the finance minister, is left looking fairly foolish, at a time when he is desperately trying to keep his overall budget deficit under control.

He admitted that his net borrowing requirement would increase, according to the latest figures, but insisted that the government's savings plans remained on course. Finance Ministry officials say there are no plans to make greater cuts in the budget. "We consider the increased borrowing requirement justified because of the recession," one official said.



German foreign minister Klaus Kinkel (below) and interior minister Manfred Kanitz at a Bundestag debate on terrorism

Pöhl sees jobs crisis as main European task

By David Marsh

"THE REAL issue" facing Europe is the task of reducing unemployment, combined with the challenge of opening the west of the continent to the former eastern bloc, Mr Karl Otto Pöhl, the former Bundesbank president, said last night.

The objective of the Maastricht Treaty for establishing fixed exchange rates and a common monetary policy in Europe was no longer the main priority. "The question of whether the Maastricht Treaty will ever be implemented is open; to say the least." But conditions for economic and monetary union were "much less favourable" than in the 1980s.

Mr Pöhl voiced doubts over whether the anti-inflation consensus espoused by the treaty would prove durable in view of the "tremendous problems" facing Europe.

These included the consequences of German unification, where he pointed to errors over the introduction of the D-Mark into east Germany in 1990 and a wrong mix of monetary and budgetary policies as contributing to high

German interest rates after unity.

German unemployment, now officially 3.5m, was the highest since the great depression of the 1930s. But German unemployment was nearer 5m-5.5m if hidden joblessness were included. "It's obvious this is the real issue. It's the same problem in Spain or France."

In Germany, Chancellor Helmut Kohl will deliver a government statement on Europe today in the wake of a controversy triggered by sceptical comments on European union from a key conservative ally, Rainer reports from Bonn.

Mr Kohl has so far not reacted directly to remarks by Bavaria's state premier Edmund Stoiber that his vision of Europe is outdated, and that the goal of a federal Europe, almost holy writ in post-war German foreign policy, should be abandoned.

But Foreign Minister Klaus Kinkel said in an interview in yesterday's Express newspaper that Mr Stoiber's comments "did no damage, and not just a little. My colleagues are worried Germany could be departing from the common goals of the Community."

Growth of 2.2% forecast by OECD

By David Buchanan in Paris

WEAKNESS in the Japanese economy will depress average growth among the world's leading industrialised economies to 2.2 per cent next year, the Organisation for Economic Co-operation and Development forecast yesterday.

After a two-day meeting of the OECD's economic policy committee, Mr Kumi Shige-hara, the organisation's chief economist, said growth estimates of real gross domestic product in the OECD were being revised downwards from 1.3 to 1.1 per cent for this year and from 2.7 to 2.2 per cent next year.

While European members of the OECD could expect an average of 1.5 per cent next year, Mr Shige-hara said Japan's growth "could be well below 1 per cent." Ms Laura Tyson, the head of President Bill Clinton's Council of Economic Advisers who also chaired the OECD meeting, said the US was on course in the second half of this year and in 1994 for a 3 per cent average growth rate.

The OECD discussion on monetary policy concluded, said Ms Tyson, that the macro-economic benefit of interest rate cuts in the US, Canada, the UK and Australia had been delayed or reduced because of the "build up of debt positions in the business, household and banking sectors."

By contrast, many countries in continental Europe do not see such balance sheet adjustments. "Here," she said, "monetary easing may have a more rapid effect on activity." But she said several continental European countries had indicated that their concerns about currency and price stability prevented them from cutting interest rates.

Ms Tyson said the US believed there was still scope for "further fiscal policy easing in Japan and monetary easing in Europe." The US experience of its recent recovery was that the fear that inflation had proved exaggerated.

'Hans van den Brittan' ends the Brussels feud

MR HANS van den Broek, the European Commissioner responsible for external political affairs, yesterday dropped his resignation threats and agreed to a truce in his long-running power struggle with Sir Leon Brittan, the Commission's chief trade negotiator, writes Lionel Barber.

Mr van den Broek, the former Dutch foreign minister, was on the brink of quitting until a last-minute compromise brokered by Mr Jacques Delors, the Commission president. Under the deal, Mr van den Broek will take over man-

agement responsibility for the European Union's overseas delegations and will have a share in appointing Brussels civil servants to the 110 offices abroad.

Mr Delors is said to be upset by the bickering between Sir Leon and Mr van den Broek who are both political heavyweights.

Other commissioners have found the funding a source of amusement - one insider's joke is that the only satisfactory way to separate the foreign affairs portfolio is to create a new commissioner called

"Mr Hans van den Brittan". However, the Dutchman has failed in his wider gambit to put all overseas staff under the umbrella of DG I, his own Brussels directorate.

Sir Leon and Mr van den Broek have been battling over the division of their responsibilities ever since they took up their posts 10 months ago. During the latest row, Sir Leon argued that it would be illogical to have all overseas personnel responsible to Mr van den Broek since 80 per cent of the EU's work deals with trade and commerce.

EU jobless total heads for 18m

By Lionel Barber in Brussels

UNEMPLOYMENT in the European Union will continue to rise until mid-1995, with little hope of a rapid or consumer-led recovery, according to the latest economic forecasts by the European Commission published yesterday.

More than 18m people are expected to be out of work in the next two years, amid high interest rates, weak output, and only a modest improvement in budget deficits, which are at the highest average level since 1945.

Mr Henning Christophersen, economics commissioner, called for an early reduction in

interest rates, particularly in Germany. "It's not the size or the volume which matters, it's the speed," he said.

The Commission's forecast assumes that Germany will continue to lead the way on interest rate cuts, with countries such as France and Belgium sticking to their policy of shadowing the D-Mark in an effort to maintain exchange rate stability. Overall, it expects short-term rates to drop by 2 percentage points to an average 6.4 per cent in 1994.

But it warns that inflationary pressures could prove more resistant, particularly in Germany. In this case, "the assumed monetary easing could occur later and to a lesser extent."

Despite bleak outlook for jobs and growth, Mr Christophersen said the timetable for European monetary union by 1997 or 1999 was still realistic. He insisted that countries could still meet the tough budget deficit targets set down in the Maastricht treaty.

Germany is expected to grow by only 0.5 per cent next year, with all the growth coming from former east Germany, and only by 1.5 per cent in 1994. France, the other economic motor, is likely to stutter along at 1 per cent growth in 1994 and 2.1 per cent in 1995. The UK, which left the

exchange rate mechanism in September 1992, is expected to outperform most, with growth of 2.5 and 2.7 per cent expected in the next two years. Ireland and Denmark also figure strongly, with the Irish expected to be the only European country registering more than 3 per cent growth.

The Commission is sticking to its earlier EU growth forecast of 0.4 per cent and 1.8 per cent in 1993 and 1994 respectively, while output is expected to rise by 2.1 per cent in 1993. Unemployment is forecast to rise from 10.6 per cent in 1993 to 11.3 per cent and 11.3 per cent in 1994 and 1995.

Editorial Comment, page 13

ADVERTISEMENT

INVESTING IN SOUTH AFRICA

South Africa is now much more acceptable abroad

Paul Heinemann, managing director of the Price Forbes Group, talks to John Spira, Business Editor of a leading Johannesburg newspaper.

Spira: What are the main areas of Price Forbes business?

Heinemann: The group operates in five broad areas:

- PFI Insurance Brokers, which, together with Corporate Risk Management Consultants, strives to offer the most cost-effective and beneficial solutions to risk-related problems.
- Alexander Forbes Consultants & Actuaries, which aims to provide the highest quality of employee benefit consultancy, actuarial services, administration and financial planning advice and health care consultancy.
- Forbes Reinsurance Broking Services, which provides reinsurance administration, protection and coverage services.
- Medical Administrators, which provides medical scheme administration and health care management services.
- Integrated Risk Consultants (IRC), which specialises in risk financing consultancy and related products, captive consultancy and insurance company management.

IRC recently became a 45 percent shareholder in a new short-term insurance company, Guardian Insurance Co, which engages in niche-type underwriting and specialist products.

Price Forbes Group and its subsidiary, PFI London, recently concluded an important new transaction with the Nelson Hurst Group, a London insurance broker. In terms of the arrangement, PFI London, while retaining a full subsidiary, will in future work in partnership with Nelson Hurst in the London market.

In addition, Nelson Hurst UK, the UK retail insurance broker, is forming a 50/50-owned company (to be named PFI Nelson Hurst) to focus on the corporate insurance broking market in the UK and Europe. Simultaneously, Price Forbes Group has acquired an option to buy up to 50 percent of the UK insurance broking company, Nelson Hurst UK.

Price Forbes Group employs 3,000 people in 24 offices situated in most of South Africa's principal towns and cities and is active abroad through its associations with foreign companies.

Our clients, which include more than 30 of the country's largest 100 stock exchange-listed companies, extend from industry and commerce through to the agricultural, mining and parastatal sectors and to the individual.

We're South Africa's largest insurance brokers, risk management consultants and employer of benefit consultants.

Group retained brokerage and fees amount to R400 million, which ranks us among the larger firms of our type in the world, including the mega Alphabet-Brokers.

Price Forbes is a South African company with South African shareholders. Our staff are 11 percent of the equity. No single shareholder has control - a factor which gives us operating independence.

Spira: How will the removal of sanctions benefit Price Forbes?

Heinemann: There won't be a magical overnight impact, but there will, obviously, be some useful opportunities for us. I see modest investment initially and a marked benefit in the sphere of exports.

We are already seeing that certain of our clients have suddenly clinched some good export orders. If our clients grow, we will grow and to that extent there will be a benefit to Price Forbes.

Additionally, we find we are now much more acceptable abroad than (formerly) and that is clearly advantageous. My attention was recently drawn to a list of 45 companies that were seriously considering investing in South Africa.

One of the ways in which they invest will be to acquire existing businesses, in which event there won't be any additional business for us. Others will do so via joint ventures or green field operations, in which event we shall have the potential to write additional business.

Spira: Does that mean Price Forbes and other South African companies will be doing more business in Africa in the wake of the scrapping of sanctions?

Heinemann: Unquestionably. The removal of sanctions will

mean South Africa will become a member of the Organisation for African Unity, after which we'll be trading more openly with the countries to our north.

For the present, there's a measure of hesitancy about finally doing business with us.

For example, there's an organisation called the African Insurance Organisation, of which most of Africa's insurance companies and insurance brokers are members. South African companies were recently on the verge of being invited to become members. But it didn't happen because the AIO felt we should first become members of the OAU.

Once that hurdle is cleared, we'll do a lot more business in Africa. Price Forbes is already doing a fair amount of business in Africa, though at this stage it's still a minuscule portion of our total revenues. We're doing work for a university in Nairobi and we're looking at prospective projects all the time.

Bear in mind that it makes a great deal of sense for Africa to use South Africa, since we're cost effective for Africa; it's very expensive to pay in dollars or sterling.

One of the problems is the fear that South Africa, whose insurance market is equivalent to 78 percent of the entire African market, will come to dominate the continent. We're just going to have to convince African countries that this is not our intention; that we have a great deal to offer. In the fields of insurance education and training alone, we have much that would benefit Africa.

Spira: Could the same apply to other parts of the world?

Heinemann: I detect increasing signs of interest from the Far East, where certain countries have a greater grasp of the sort of potential we have than some western countries. They identify more easily with our problems.

Spira: It has been suggested that the reason Price Forbes created an office in London was to lessen your dependence on South Africa. What was the motivation?

Heinemann: It was certainly not to get out of South Africa. We're totally committed to this country.

The motivation was to slowly internationalise our business; to give us a base in Europe.

Bear in mind that we've grown our business in South Africa - during a period of severe recession - at a time when similar businesses in Europe haven't been able to grow.

We're too big a group to be restricted to one country, so from a straight business point of view it's correct that we try to expand elsewhere in the world. We've made our initial effort in the UK and we'll continue to expand on a very selective basis into other parts of the world with the long term objective of bringing those earnings back to South Africa.

I can say without fear of contradiction that our expertise is at least equal to that found anywhere in the world. Consequently, we can operate in a foreign environment and have the ability to compete globally.

Spira: A year ago you expressed the view that De Klerk and Mandela had the wisdom to start South Africa's difficulties. Have your expectations been fulfilled?

Heinemann: Yes. There's been the odd disappointment, but generally speaking, they've done an outstanding job. South Africa still needs them to carry the country through the difficult period that lies ahead. I remain positive that they'll do what's expected of them.

The result won't pan out at 100 percent, but I think we'll achieve a highly satisfactory 90 percent. There's every sign of Mandela being prepared to compromise. He's in a strong position; he can afford it.

Spira: Do you share the generally-held view that South Africa's economic recession has bottomed out?

Heinemann: An economy that's bottomed out tends to bounce along the bottom for a while. We still get the impact of the recession hitting you well into the spring.



Paul Heinemann

Heightened exports flowing from the expansion of sanctions will also help the economy, particularly since we've been doing pretty well on the export front anyway - in difficult times, I might add. In short, I envisage a gradual improvement next year though from a Price Forbes standpoint we'll still need to run our business tightly - as we've been doing for many years.

Spira: How has Price Forbes coped with the recession?

Heinemann: We've enjoyed strong growth in our employee benefit business, where we've achieved 20 percent in the last six months of our current financial year. Health and medical aid has been struggling in the highly competitive market. Our short term insurance broking and risk management consequences continue to grow and remain a highly competitive part of our business. South Africa has had nearly five years of recession, during which time we've grown steadily. That's quite an achievement. We've continued to widen our range of services and grow our business book, and expand into the UK.

This doesn't necessarily mean that we're poised for rapid growth when the economy emerges from recession, since parts of our business are contra-cyclical. I'm cautious. We're certainly not going to be able to rest on our laurels.

Spira: What progress have you recorded on your affirmative action programme?

Heinemann: We've made solid progress over a fairly extended period by making sure that we have more and more competent black people.

We're also playing our role in the industry. The Insurance Institute of South Africa has started a programme, sponsored by the insurance industry, to train young black people in insurance. The overriding problem is that too many companies are struggling to find people with enough skills to employ them. We're trying to short circuit the process by looking at the problem from an industry point of view. Price Forbes had quite a lot to do with this initiative. We're conscious of what needs to be done and we'll continue that process.

Significantly, we hardly notice the affirmative action, but in fact it is happening all around us. I recently discovered that at our head office accounts department a very high percentage of the people there don't have white skins. One chap has a terminal at his home in Soweto, so when the system happens to crash in the middle of the night, he doesn't have to drive all the way to the office.

We might be found wanting at top management level, but I don't think we can solve that by pushing buttons; it's an evolutionary process.

Interestingly, well recently we didn't have statistics on the colour of the people we were employing, simply because it made no difference to us. It was only when people started asking questions that we got the figures together.

While usually trying to keep our head count as low as possible, our group staff numbers have still grown in the past five years by 67 people, so we've been a creator of jobs in South Africa, even with the growth in computerisation and technology.

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NEWS IN BRIEF

Air France faces a third state aid probe

THE European Commission yesterday opened an inquiry into a FF1.5bn (\$256.7m) capital injection granted to Air France, on the grounds that it might amount to illegal state aid, writes Andrew Hill. The French government announced in February that it was providing extra capital to the national carrier through a subscription of equity-linked debt from Caisse des Dépôts et Consignations, the state-controlled financial institution.

The Commission said in a statement yesterday that it had "doubts about the normal commercial character of the operation... in the light of the deterioration of Air France's financial position". It is the Commission's third inquiry in two years into alleged state subsidies at Air France. In November 1991, Brussels waived through a FF200m capital injection and last July approved the FF1.25bn purchase of an 8.8 per cent stake in the company by Banque Nationale de Paris, the state-controlled bank.

French free Algerian exiles

France's judicial authorities yesterday released most of the 88 people rounded up by police on Tuesday but kept 13 for questioning, including two leaders of the Algerian Fraternity in France (FAF), believed to be a front organisation for the Algerian Islamic Front, Reuters reports from Paris.

The Interior Ministry said investigators found pro-FIS propaganda, false identity papers and large sums of money, but no weapons in the vast search-and-arrest operation. The government said the dragnet, a response to the abduction last month of three French consular officials in Algiers, aimed to prevent potential acts of violence on its soil. Some commentators said France was laying itself open to terrorist reprisals, both at home and in its former north African territory.

Italian bribes case warrants

Naples magistrates investigating bribes in the Italian pharmaceutical industry yesterday issued warrants for more than 10 arrest warrants for alleged payments made by six drug companies to obtain favours, writes Robert Graham in Rome.

The payments were all made to Mr Duilio Poggolini, the senior health ministry official who controlled drug authorisations and distribution and who is at the centre of one of the biggest investigations in Italy's wave of corruption scandals. The latest payments allegedly uncovered came from companies that included the Alfa Wasserman, Glaxo and the Recordati group which is quoted on the Milan bourse.

Rome's voting change blocked

A controversial proposal to extend full voting rights and special parliamentary representation to Italians living outside Italy has failed to pass through the senate, writes Robert Graham in Rome.

The draft law required a two-thirds majority since it involved altering the constitution. But yesterday those in favour of the proposal only mustered 148 votes against the 163 votes necessary. The proposal will now be put on ice for three months, then it will be up to President Oscar Luigi Scalfaro to decide whether to call a national referendum on the issue.

Austria optimistic on EU

European Union membership on January 1 1995 for Austria, Finland, Norway and Sweden, is "an ambitious but feasible" target, provided all parties are fully committed to the negotiations, Mr Wolfgang Schüssel, Austria's economy minister, said in Vienna yesterday, writes Patrick Blum in Vienna.

This will require completing EU entry negotiations by March 1, to allow enough time for the European parliament to approve the four countries' membership before European elections due in June. For Austria, keeping to the timetable is especially important because the country must hold a referendum on membership in July at the latest. This is to avoid a clash with the general election scheduled in October.

Warning to Europe on digital revolution

By Andrew Adonis

EUROPE risks being left behind North America and the Asia Pacific region in the "communications revolution" because of poor foresight and co-ordination, according to the president of a leading data networking company.

Mr Eric Benhamou, president of BCI, based in California, said that "insufficient public awareness" about Europe's plan for a superdigital highway - an advanced, high-volume communications network for data, image and voice - was jeopardising its economic potential.

Delivering the London Business School's annual Governors' Lecture, sponsored by the FT, Mr Benhamou contrasted the low profile of European projects with their high status in competing regions. "The US has NII, Canada has the Canarie project, Singapore has IT2000, Japan has its 2015 ISDN milestone, but there is no direct equivalent in Europe." Despite "exciting" networking projects, such as SuperJanet, to interconnect universities and research institutions, Europe lacked the strategic vision of the US and the Far East, he said.

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A constitution for Yeltsin's time

Written for the president alone, its permanence is not guaranteed, writes John Lloyd

THE great powers of the president, connected with his duration in office, will lead to oppression and ruin, said the columnist "Cato", writing in the New York Journal in 1787, during the passionate debate over the US constitution.

The immediate reaction to the Russian constitution, widely published for the first time yesterday, has been much the same.

In both cases, the assertion of a new central power after the collapse of an old one has been seen as containing a potential for tyranny and for division.

But most commentators have followed the lead given on Tuesday by Mr Vitaly Tretyakov, the editor of the Nezavisimaya Gazeta, who said the constitution was fashioned for Mr Yeltsin alone and could thus not stand for future presidents.

Mr Alexander Tsipko, a leading candidate for the centrist Civic Union bloc, said yesterday that "what was needed after October was something which unites the country, but this merely divides it into those who are for and those who are against the president".

Mr Nikolai Travkin, head of the Democratic party, talked of a constitution which could not gain the trust of the people.

While Mr Gary Kasparov, the world chess champion, who is a candidate for the Russia's Choice group most closely associated with the president, dismissed the document as "clearly temporary".

The central problems for the drafters of the constitution were

● the legacy of the Soviet era in which all power was actually centred in the party but was titularly vested in the parliament;

● the recent tragic struggle between parliament and presidency following the blockade of political and economic reform; and

● the actions of the 89 republics and regions, which in the past two years have become increasingly assertive of their own rights and independence. They have thus attempted to construct a document which gives the presidency powers that are superior to those of the parliament. Like the French constitution, which was its largest influence, it gives the president the right to form governments and dismiss parliaments, lays out a complex impeachment procedure and has indirect regional elections to the upper house.

However, the country lacks the French experience with a democratic system, and there is no guarantee that Mr Yeltsin

The Russian election commission last night disqualified eight of the 21 political groups which had sought to register for parliamentary elections on December 12, because they had failed to gather the required 100,000 signatures.

As all 21 claimed to have collected at least 100,000 signatures, it is presumed that a number of signatures were regarded as forgeries. The main victim is the Russian National Union, led by Mr Sergei Baburin, a former hardline nationalist deputy. He said 20,000 signatures had been stolen by thieves who wore police uniforms.

All other main blocs have been accepted, including the liberal Russian Unity and Yavlinsky blocs, the centrist Civic Union and the far-left Russian Communists.

Mr Yeltsin, in his address to the nation on Tuesday night, said that the provisions for his impeachment by parliament and his ability to dismiss the deputies were, like nuclear weapons, there to preserve stability, and not to be used.

In the thin fabric of Russian democratic practice, however, they could easily be used - especially if the majority parliament found itself in strong opposition to the president but balked of any other means for expressing that opposition.

Second, the constitution's drafters have insisted on the equality of the 89 subjects of the federation. That means that the 21 republics will have the same legal status as regions big and

small, and the two cities of Moscow and St Petersburg. For some of the republics - especially the self-declared independent republic of Chechnya, which will not hold elections on its territory and Tatarstan, which will not hold a referendum on the constitution - this dismisses the rights they enjoyed in the Soviet era (even if these were mostly on paper).

In this sphere, much will depend on what powers are given to the subjects of the federation in the Federation Treaty - which has yet to be thrashed out.

Finally, the constant change of mind and last-minute additions to the constitution by the president and his team is a sharp reminder to the future deputies of how little they could do about the status of parliament before it existed. Originally planned for a four

year term, its first term will be only two years.

The deputies of the upper house (or Federation Council) will be elected for the first term, then will be selected by the regions in ways apparently left to their leaderships - which leaves the first term deputies looking rather spare.

The very site of the new parliament has been proposed (though not yet decided) for the Academy of Administration on the outskirts of Moscow - hardly underscoring its prestige.

Mr Yeltsin, having promised he would stand for president in pre-term elections next June, will now serve his full term apparently irrespective of what the new parliament thinks.

The parliamentary democracies among the seven leading powers are the constitutional (and titular) monarchies in Britain, Canada with a British model, and Germany, Italy and Japan with parliamentary systems reconstructed after the last war to avoid a future dictator.

The presidential states are France and the US, both with revolutionary traditions from which their constitutions and their presidencies derive. Russia, it is clear, will join the latter group - but with no guarantee that this will be the final stab at a constitution.

IMF 'is missing its big chance'

By John Lloyd

THE International Monetary Fund has been accused of "missing the opportunity" to assist Russian reform.

Prof Jeffrey Sachs, an adviser to the Russian government and a long-time foe of IMF policy towards Russia, said in Moscow: "The IMF should now be negotiating with the Russians on a plan to go into effect at the beginning of next year to make the ruble convertible and to stabilise the economy. The time has never been better - but there are no preparations."

Professor Sachs, who has been close to Russian reform for the past two years, said that the political position had fundamentally altered since the banning of the Russian parliaments. The reformists were now being backed by presidential decrees, and a reformist government was likely to follow next month's parliamentary elections.

"The IMF was told this year to spend \$13bn on Russian reform: it has so far spent \$1.5bn. Its mandate is to help reform. They must not let this chance slip away."

High expectations greet new PM

Poles look to new cabinet to deliver

By Christopher Bobinski in Warsaw

THE POLISH government yesterday assigned opposition politics to the status of a minority sport, after three stormy years of vulnerable cabinets.

Indeed, with 310 votes behind him in yesterday's vote of confidence - in a 460-seat chamber - Premier Waldemar Pawlak, the 34-year-old farmer and head of the Polish Peasant Party boasts a majority that many would envy.

The PSL, with its political base in the rural areas where well over one third of Poles live and work, and the post-communist Left Democratic Alliance (SLD) together won 35 per cent of the vote in elections on September 19. But a new election law, eliminating parties with less than 5 per cent of the vote, translated that into just under two-thirds of the seats, leaving the right-wing parties - representing over 20 per cent of the voters - unrepresented in parliament.

It is even possible that Mr Pawlak's cabinet could serve a full four-year term. If the opinion polls are to be believed, the Polish people are now looking to the future with a degree of optimism last recorded in the early days of the reforming Solidarity governments.

Mr Pawlak's wooden style, which so irritates the intelligentsia, appeals to many others, eager for a dose of "normality" after the changes of the past four years - which have felt more like an earthquake than a new dawn.

The new cabinet has also inherited a growing economy, with 4 per cent increases in GDP forecast for this and next year. Inflation promises to fall from this year's 32 per cent to around 21 per cent next year if the new government holds next year's budget deficit to the International Monetary Fund's recommended target of around 5 per cent of GDP.

It is here though that cracks could emerge. The rural voters who supported the PSL, and those in the recession-struck towns who backed the SLD, are looking for tangible, and rapid, economic improvements. Elements in both parties are willing to take risks with inflation.

Such moves, as Mr Marek Borowski, the SLD politician in charge of the economy, knows full well, would risk a worsening of relations with the IMF. That, in turn, could jeopardise a desperately needed 30 per cent cut in the country's \$30.6bn debt to western governments, due to be implemented next year. The fact that the World Bank remains Poland's largest source of capital - until a debt rescheduling agreement can be negotiated with western commercial banks owed \$12.3bn - also puts a premium on monetary stringency.

However, the SLD's trade union component, which makes up around a third of the parliamentary party, could provide the focus for a left-wing alternative to the party's free marketeers, such as Mr Borowski and Mr Wieslaw Kaczmarek, the new privatisation minister who promises to continue to whittle away at the state sector.

Similarly, in the PSL, ambitious politicians jealous of Mr Pawlak's meteoric rise promise to stress their party's demands for policies favouring farmers.

The politicians at the top of the PSL and the SLD - including its leader, the politically talented Mr Alexander Kwasniewski, who has stayed out of the government - appear to have the sophistication to maintain a common front and prevent internal rivalries from undermining the new government. However, the social pressures the government faces will be difficult to contain, as Poles continue to yearn for the marked improvement in their standard of living that the overthrow of the communist regime in 1989 promised, but failed, to bring.

Meciar repairs coalition

By Patrick Blum in Vienna

A NEW coalition government has been formed in Slovakia between prime minister Vladimir Meciar's Movement for a Democratic Slovakia (HZDS) and the Slovak National Party (SNS) led by Mr Ladovit Cernek, a former economy minister.

The agreement follows months of wrangling between the two parties after their earlier coalition collapsed last spring. It will end a period of growing political uncertainty overshadowed by calls from the left wing opposition for early elections to resolve the crisis.

New ministers were sworn in yesterday by president

Michal Kovac, including Mr Jan Ducky, a former president of the Slovak Industry Confederation, as economy minister.

Mr Ducky worked in the industry ministry under the former regime, then became industry minister for nine months after the 1989 revolution that ended communist rule.

Mr Julius Toth, a close ally of Mr Meciar, remains as finance minister. Mr Meciar will retain control of the privatisation ministry.

The combined representation of the HZDS with 96 seats in the 150-seat parliament, and the SNS with 14 seats, will give the new coalition a clear majority. Few policy changes are expected.



Meciar ended wrangle

Albanian ministers arrested in Macedonia crackdown

By Laura Silber in Belgrade

THE government of Macedonia yesterday arrested several ethnic Albanians, including two deputy ministers in the coalition government, on charges of preparing an armed rebellion.

Macedonian police yesterday renewed their clampdown on Gostivar and Tetovo, mostly ethnic Albanian towns.

The move could shatter the fragile ethnic co-existence between Albanians and Macedonians in the former Yugoslav republic, where Albanians comprise at least 20 per cent of the 2m population. Mr Hesen Haskaj, the deputy

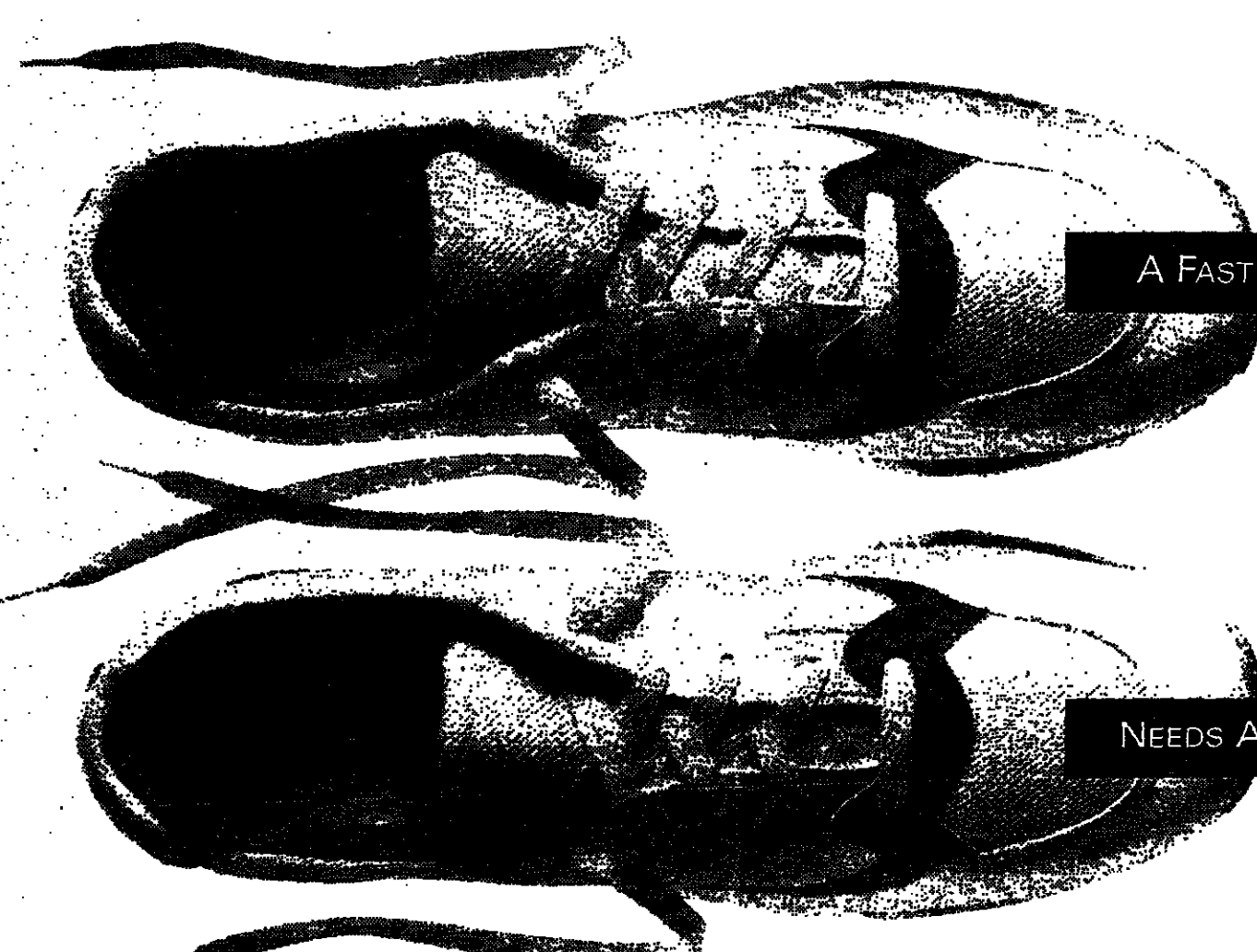
defence minister, and Mr Imer Imeri, the deputy health minister, were arrested and charged with organising a paramilitary unit and preparing an armed rebellion, said Macedonian radio.

The radio said 300 automatic rifles were discovered in a police raid, and claimed the rebellion had been planned by a political party with close ties with ethnic Albanians in the neighbouring province of Kosovo, southern Serbia.

Meanwhile in Sarajevo, three children were killed and about 15 were critically wounded in a mortar bomb attack in Sarajevo, the Bosnian capital.

Sarajevo radio said two adults were killed and 30 wounded by shelling in another mortar attack in the city besieged by Serbs since April 1992. The assault comes just one day after nine people, including four children and their teacher, were killed by mortar bombs.

Bosnian Croats and Muslims have asked Turkey to help end fierce fighting between their forces, the Turkish foreign ministry said yesterday. Reuters reports from Ankara. The ministry said Mr Hikmet Cetin, the foreign minister, was preparing to fly to Sarajevo.



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Consumer prices show 0.4% gain

By Michael Prowse
in Washington

THE UNDERLYING pace of US inflation remained moderate despite a 0.4 per cent gain in consumer prices last month.

The Labour Department, which reported the latest figures yesterday, said that the increase partly reflected a 1.9 per cent increase in energy costs after petrol taxes were raised by 4.5 cents a gallon on October 1.

The year-on-year rate of inflation rose to 2.8 per cent, against 2.7 per cent in September.

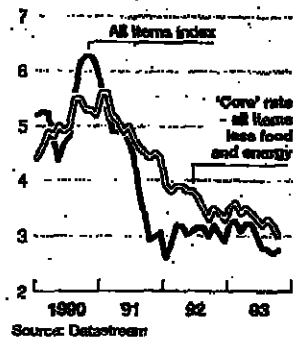
The relatively poor consumer price figures followed exceptionally good wholesale price figures earlier this week. The producer price index for finished goods declined 0.2 per cent last month.

Bond prices fell modestly as many traders had hoped that the drop in wholesale prices would be reflected in the consumer price data.

Taking the two sets of figures together, however, "inflation is stable to lower", said Mr William McDonough, president

US consumer prices

Annual % change



of the Federal Reserve Bank of New York.

Fed governors and regional presidents meet next week to discuss monetary policy. Most analysts expect the Fed to leave short-term interest rates, currently 3 per cent, unchanged for the next few months. But a tightening of policy is widely expected sometime next year.

Last month's consumer price increase was the largest since April. However, it followed a zero increase in September and

moderate gains during the summer. Apart from energy, the main upward pressures on the index came from food prices, up 0.6 per cent from September, and housing, healthcare and entertainment, which registered 0.5 per cent increases.

The core consumer price index, which excludes food and energy, rose by 0.3 per cent last month and by 3 per cent in the year to October.

The annual increase in core prices was the lowest for two decades.

In recent weeks, signs of an acceleration of economic growth in the second half of the year have dented confidence in bond markets.

Investors worry that faster growth will put upward pressure on inflation, forcing the Fed to raise interest rates, which would cause bond prices to fall.

Most forecasters, however, say that there is enough slack in the economy to prevent inflation rising much above its current rate of about 3 per cent. Some predict a further slightly decline in inflation.

US steps up the pressure on North Korea

By Lisa Branstetter
in Washington

THE US is losing patience with North Korea's resistance to international inspection of its nuclear facilities, a senior State Department official said yesterday.

Ms Lynn Davis, under-secretary of state for international security affairs, told a House of Representatives committee the US was prepared to ask the United Nations Security Council to impose sanctions on North Korea if it continued to resist full inspection by the International Atomic Energy Association.

"Our patience is running out, and the North Koreans need to know that it is our next step," Ms Davis told the Foreign Affairs Committee. She did not, however, set any specific deadline by which the US would request sanctions.

Sanctions, however, are an extremely sensitive issue because many fear that North Korea might be more likely to attack neighbouring South Korea or other nations if driven into a corner.



A US military policeman scans the Demilitarised Zone between North and South Korea

North Korean officials have said they would consider the imposition of sanctions an aggressive act.

Last week, Japan and South Korea warned Mr Les Aspin, US defence secretary, against seeking UN sanctions out of fear that North Korea might undertake a terrorist campaign.

Mr Aspin spent two days in South Korea discussing the northern threat with President Kim Young-sam. The US

has 35,000 troops there.

President Bill Clinton said on Sunday that North Korea "cannot be allowed to build a nuclear bomb", but did not discuss specific actions the US might undertake.

Ms Davis told the committee that in the past North Korea "could have produced weapons grade material sufficient to produce one or two nuclear weapons," but added she was confident that Pyongyang was

not making atomic bombs now.

Preventing North Korea from producing nuclear weapons was among the most important of the administration's goals, Ms Davis said.

She was hopeful China would not veto a Security Council request for sanctions. "They share our goals and we hope that they would work with us on the Security Council. The US is willing to pursue non-proliferation goals rigorously even when they may cause friction".

In addition to fears about nuclear weapon development, the US is concerned about possession of conventional arms. Ms Davis grouped North Korea along with Iran, Iraq and Libya as nations of particular concern. She said that North Korea could become one of the countries to be monitored closely by a new international safeguard organisation.

Canada prepares for record budget deficit

By Bernard Simon in Toronto

CANADA'S new Liberal government is preparing the ground for bad news on the federal budget deficit. Officials are suggesting the shortfall could reach a record C\$40bn (£20.5bn) in the fiscal year ending March 31, 1994, compared to the C\$32.6bn deficit predicted last April by the previous Conservative government.

Estimates of last year's deficit are expected to be revised upwards to well above the projected C\$35.5bn.

Analysts predict that revisions of the federal deficit will be followed by announcements from several of the 10 provinces that they too will fail to meet budget forecasts.

The provinces, some of which are heavy borrowers on international capital markets, have been under pressure to trim deficits. Credit-rating agencies have warned failure to do so may result in downgrading of creditworthiness and rising borrowing costs.

Higher deficits, coupled with a narrowing gap between US and Canadian interest rates and nervousness on the future of the North American Free Trade Agreement, have pushed the Canadian dollar down sharply over the past two days.

The currency was trading at 76.47 US cents yesterday morning, compared to more than 77 cents on Monday.

The Bank of Canada's efforts to bring down interest rates

are expected to keep a lid on the dollar in coming weeks. The gap between the yield on 10-year US and Canadian government bonds shrunk yesterday to about 1.1 percentage points, compared to 1.4 points before Canada's general election on October 25. Canadian banks earlier this week lowered their prime lending rate to 6.5 per cent, the lowest in 31 years.

Federal and provincial budget projections have been thrown off course largely by sluggish tax revenues, rather than runaway spending. The revenue shortfalls are ascribed partly to slow economic growth. But there is also growing evidence of an expanding black economy.

President Kim Young-sam believes his talks in Washington could be decisive

South Korea urges haste on nuclear issue

By John Burton in Seoul

THE NORTH Korean nuclear issue was "entering a critical phase" and must be resolved soon, South Korea's President Kim Young-sam said yesterday. His meeting with President Bill Clinton in Washington on November 13 could prove "the decisive discussion on the issue," he added.

President Kim plans to meet China's President Jiang Zemin during the Asia-Pacific Economic Co-operation conference in Seattle on November 19. China has indicated it may

block a possible attempt by the UN Security Council to impose economic sanctions on North Korea if it does not accept international nuclear inspections soon.

A national security meeting headed by Mr Kim yesterday saw no sign of military provocation by North Korea. "There is some military movement in North Korea, but not of the type associated with an offensive undertaking," he explained.

The US Defence Department refuted reports of a sudden build-up of North Korean

forces on the South Korean border. A senior US defence official was quoted at the weekend as suggesting North Korea might be preparing to attack South Korea soon, out of economic desperation.

"There was no mention that the department felt an attack by the North Koreans was imminent. That was never said and never even implied," a spokesman said in clarifying the official's remarks.

"There has been a build-up of North Korean conventional forces near the border area along the demilitarised zone

gradually over the past 10 years. The senior official described some things worrying the department. One of them is the North Korean economy; second, the trend to the build-up of conventional forces along the border."

Officials in Seoul expressed cautious optimism that a diplomatic solution to the impasse over the international inspection of North Korea's nuclear facilities could still be reached.

They said one sign was a meeting on Tuesday between US and North Korean officials in New York, called at the

request of Pyongyang. No progress was reported, but it indicated North Korea was unwilling to abandon negotiations with Washington in seeking a solution to nuclear inspections.

Some South Korean officials believe North Korea is engaged in brinkmanship complicated by disagreements within the Pyongyang government over the future course of talks. But Mr Kim expressed frustration that North Korea "counteracts with an irrelevant issue" whenever Seoul and Washington want nuclear inspections resumed.

Congress succumbs to a fever of legislation against crime

By George Graham in Washington

THE US Congress is working itself up into an anti-crime frenzy in which an array of bills proposing tougher gun controls, tougher sentences and tougher measures against immigrants could sweep into law.

The Senate has already voted to ban the sale of handguns to anyone under the age of 18; to expand federal prosecutors' powers to pursue gang crime; to make carrying a federal crime; and to impose the death penalty on a long list of federal crimes. It was near to outlaw-

ing the manufacture and sale of assault weapons, whose import is already banned.

The House of Representatives, meanwhile, passed a number of crime measures last week and was due last night to vote on the Brady bill, legislation named after the former White House press secretary severely injured in an assassination attempt on President Ronald Reagan. This would order a five-day waiting period for anyone buying a handgun.

Senator Joseph Biden, the chairman of the Senate judiciary committee, sneered that the only restraint which his colleagues had shown was in

not proposing the death penalty for jay-walking.

Congress's efforts to prove it is taking action against crime usually provoke cynicism among prosecutors and police chiefs around the country. Most violent crime falls under state and city jurisdiction.

The expansion of the death penalty to such federal offences as wrecking a train or fatal violence against maritime platforms is viewed by most law enforcement officials as purely symbolic and, in any case, ineffective against the street crime that most worries US voters.

The federal government has

not executed a prisoner for 30 years. Texas yesterday carried out its 18th execution this year.

"I know of no law-enforcement professional who believes that all the death penalty provisions and new federal crimes would affect public safety in the slightest," wrote Mr Robert Morgenthau, the long-serving New York district attorney, in an article in yesterday's New York Times.

"Proposals to put more police officers on the beat nationwide and to construct new high-security prisons are sound. Little else deserves support."

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CONVERSION NOTICE

TO: HOLDERS OF BRAMALEA LIMITED SERIES I 1998 CONVERTIBLE DEBENTURES

NOTICE IS HEREBY GIVEN that Bramalea Limited (the "Company") intends to convert the outstanding 70% Amount of the Series I 1998 Convertible Debentures into common shares of the Company in accordance with the terms of the Tenth Supplemental Indenture dated March 22, 1993, between the Company and the Trustee. Such conversion will occur on November 15, 1993.

In order to reflect the conversion of the 70% Amount of the Series I 1998 Convertible Debentures (the "bearer Debentures") (i) holders of bearer Debentures who hold their bearer Debentures must surrender the certificate(s) representing their bearer Debentures to the office of the principal paying agent set out below and sign and complete a letter of transmittal and (ii) holders of bearer Debentures whose bearer Debentures are held through Euroclear or Cedel, as the case may be, must forward their instructions to Euroclear or Cedel, as the case may be. Copies of the letter of transmittal are available at the offices of the Trustee, or the principal paying agent set forth below. The method of delivery of the letter of transmittal and certificate(s) representing bearer Debentures is at the option and risk of the Debentureholder.

Upon receipt by the principal paying agent of a duly completed letter of transmittal (or other instructions acceptable to the Trustee) and the certificate(s) representing the bearer Debentures, the Corporation will forward or cause the Trustee to forward to each Debentureholder, or to Euroclear or Cedel, as the case may be, as soon as practical, certificate(s) representing the appropriate number of common shares of the Corporation including the Debentureholder's pro rata portion of an additional 50.75 million common shares of the Corporation, together with the bearer Debenture certificate(s) endorsed to indicate conversion of the 70% Amount. If the Debentureholders elect to convert the entire 30% Amount of the bearer Debentures, the Corporation will forward or will cause the Trustee to forward, in accordance with the instructions of the Debentureholder, certificate(s) representing the appropriate number of common shares of the Corporation relating to the conversion of the 30% Amount.

Further details of the conversion process are available from the Trustee at any of its branches set forth below.

DATED at Toronto, Ontario, Canada this 11th day of November, 1993

BRAMALEA LIMITED
Marvin G. Marshall
President & Chief Executive Officer
Frank J. Graham
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SALEROOM

Heady cocktail in NY

By Antony Thornicroft

AN early abstract expressionist work, "Year after Year", painted in 1947 by Arshile Gorky, sold for \$3.85m (£2.6m) at Christie's in New York on Tuesday night.

The price paid by a private American collector for this colourful, optimistic, cocktail of greens, reds and oranges was not only a record for the artist but set the seal on Christie's most successful auction of contemporary art for years.

"This was the most heady sale since the late 1980s," said Mr Christopher Burge, Christie's US president.

"The excitement in the room signalled a return of confidence to the market, with people keen to buy works of art again, whether expensive or reasonably priced," he said. "We noticed a number of new buyers."

The auction brought in \$15.9m (£10.8m) and was 85 per cent sold by value, a high success rate for a contemporary art sale. A fire at Gorky's studio destroyed much of his output, and important works rarely come on to the market.

Another highlight was the price of \$1.7m paid for a study by Francis Bacon of his fellow-artist Lucien Freud. It fetched almost double its estimate.

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Gore scores but game is still in doubt

George Graham and Nancy Dunne on the TV clash with Perot over Nafta

PUNDITS and pollsters alike declared Vice-President Al Gore the clear winner in Tuesday night's televised debate with Mr Ross Perot about the North American Free Trade Agreement.

Unlike an election debate, however, this confrontation could hope to influence fewer than a hundred members of Congress who remain uncommitted either for or against Nafta. The debate's impact on ordinary viewers - a pool already diminished because the debate reached only homes with cable television - will be felt only indirectly in the crucial vote in the House of Representatives next Wednesday.

Mr Gore may have attained a number of his objectives. The forum gave him the opportunity to present the case for the treaty to a sceptical public, made fearful by the slow recovery and corporate cutbacks. The vice-president underlined the foreign and trade policy initiatives at stake and the danger that the administration might be unable to overcome a Nafta defeat to complete the Uruguay Round of global trade talks.

However, he also presented a somewhat negative case for the agreement: he repeatedly noted that the US could withdraw with only six months' notice if the pact did not work, and warned that "the Gatt round would probably not be completed if Nafta were defeated".

While the vice-president did not manage to provoke Mr Perot into any stunning displays of paranoia, by constant needling he succeeded in making his opponent appear nasty and thin-skinned. (Only on Sunday Mr Perot told a rally that he had been warned by the FBI of a plot against his life by six armed Cubans.)

The perception that Mr Perot may



Vice-President Al Gore (left) makes a point during his televised debate with Mr Ross Perot on the North American Free Trade Agreement, an encounter from which Mr Gore is generally held to have emerged the winner

be more of a drawback than an advantage to the Nafta opposition appears to be shared by several leading opponents of the treaty, both inside and outside the Congress. The tone of Mr Perot's arguments was so unremittingly negative and defensive that he actually served up an excuse for any congressman still in search of a reason to vote in favour in next week's Nafta debate.

The administration's calculated gambit, that identifying the anti-Nafta camp closely with Mr Perot would work in favour of the agree-

ment, appears to have paid off, at least to some modest degree.

It still needs a political miracle to get Nafta through the House of Representatives. The hope was that the debate would create a momentum towards passage of the treaty that the administration has been unable to achieve after weeks of deal-making.

Indeed, in its wake, one congressman, Mr Jim Sacchus of Florida, announced his support, but he had been leaning towards a yes vote and the administration has to secure 25-35 more.

It was useful to the pro-Nafta side that an hour after the debate was over Mr Gore was quickly declared the winner in an ABC telephone poll by 47 per cent of viewers compared with 33 per cent for Mr Perot. But the real gains come in the televised soundbites - like the one in which Mr Perot calls the vice-president a liar - and follow-up reporting.

Mr Al Hunt, former Wall Street Journal bureau chief, yesterday accused Mr Perot of lying when he claimed to have never hired lobbyists. Mr Hunt said Mr Perot had secretly

lobbied the Ways and Means committee and had "snuck through" a \$15m tax break for himself "in the middle of the night".

It was one more attack on Mr Perot's credibility, begun when the vice-president pointed out that the Texan had supported Nafta before running for president. Mr Gore held up a brochure featuring Mr Perot's picture and extolling the benefits to be derived from Latin American trade for the Perot family Alliance airport project in Fort Worth, Texas.

Mr Perot scored a number of debating points with his visual aids. One featured a modern US company factory in Mexico surrounded by slums which have sprung up for the workers. Mr Gore could have made the point more effectively that, without Nafta, working and environmental conditions will just worsen.

Ironically, Mr Perot often sounded as though he were more interested in protecting the living standards of Mexican workers than those of their US counterparts, and argued, with apparent seriousness, for a "social tariff" to force the Mexican government and elites to raise wages.

The sheer fact that the debate took place reflects the administration's need to play catch-up in a race that is almost won by Nafta's opponents. The best opportunity for winning support for the agreement was during the negotiations on the side accords on environment and labour. But those accords were not strong enough to win over influential members like Congressman Richard Gephardt, the majority leader. Instead, the administration is caught up in a nerve-wrecking last minute efforts which seem only Sisyphean.

No such thing as free treaty, Page 13

Japan offers to cut duties on imports

By William Dawkins in Tokyo

JAPAN has told the European Union it is prepared to remove import duties in three industrial sectors to encourage progress in the deadlocked talks on world trade liberalisation.

The offer comes in a letter from Mr Tsutomu Hata, foreign minister, to Sir Leon Brittan, the EU's chief trade negotiator, due to visit Tokyo on Sunday and Monday to discuss the Uruguay round of Gatt talks, the agreement deadline for which is just a month away, December 15.

Japan would be prepared to lift tariffs on electronics, scientific equipment and pulp and paper, and calls on the EU to do the same. Mr Hata's letter says Japan has already offered to reduce import duties on industrial goods by an average 60 per cent, as against the 33 per cent offered by the EU and the US's 37 per cent, he says.

The letter is a sign of Japan's

eagerness to take the initiative in pushing for a Gatt deal, at a time when the US government's attention is diverted from the world trade talks by the forthcoming Congress vote on the North American Free Trade Agreement.

Japan will also seek a joint initiative to encourage progress in Gatt from the 15 members of the Asia-Pacific Economic Co-operation forum, meeting in Seattle next week, a senior foreign ministry official said.

The letter voices concern over the continuing dispute between the US and the EU on agricultural subsidies, though it does not mention Japan's much-criticised ban on rice imports, seen as another important barrier to a Gatt deal. It calls for an urgent review of EU barriers to trade in financial services.

Japan would lift its rice ban at the same time as the US and EU solved their agricultural row, the official added.

Sutherland in Gatt deal game-plan

By Frances Williams in Geneva

MR PETER Sutherland, director-general of the General Agreement on Tariffs and Trade, yesterday set out his game-plan for completing the Uruguay Round of global trade talks by the agreed deadline of December 15.

He told a meeting of the over-see Trade Negotiations Committee that "all negotiations on substance" would have to be concluded by that date, which marks the expiry of US negotiating authority.

Mr Sutherland rebuked negotiators for wasting time "on arcane technical points of doubtful importance" and warned against the temptation

to leave important concessions until the last possible moment. He said yesterday the TNC would meet at least once a week under his chairmanship to steer the talks. He will chair "very frequent informal open-ended meetings" of top negotiators to tackle outstanding issues and blockages.

He urged greater efforts to achieve "substantial results" by November 15. Final country schedules setting out market-opening measures for services are due by November 26.

Mr Sutherland said revised texts on creation of a Multilateral Trade Organisation and improved dispute settlement procedures would be ready by next Monday.

Healthcare reforms constrain sales of medicines

By Paul Abrahams

HEALTHCARE reforms and changes in the customer base have constrained the drugs markets in both the US and the European Union this year.

Sales in pharmacies in the seven largest European markets fell from \$33.7bn to \$30.2bn in the first eight months, but were affected adversely by currency depreciation. Excluding exchange rates, there was a 1 per cent increase, according to figures compiled by IMS International.

the specialist research-based company.

The European market was held back by the effects of healthcare reform in Germany and Italy. Sales in Germany fell from \$9.6bn to \$8.2bn, a drop of 16 per cent at constant exchange rates.

The Italian market fell from \$7.4bn to \$6.6bn, a drop of 8 per cent excluding currencies. Sales in the UK also fell, from \$3.6bn to \$3.3bn, but increased at constant rates by 11 per cent. Those in Spain also fell from \$3.5bn to \$3bn, but rose 12

per cent excluding currencies. The Spanish market could slow in coming months, following the introduction of measures to control drugs spending.

The French market continued to grow, up from \$7.7bn to \$7.9bn or 7 per cent at constant rates. The Dutch market was up 13 per cent, from \$9.7bn to \$11bn, while sales in Belgium were static in dollar terms at \$1bn, but increased 6 per cent excluding currencies.

The US market increased 4 per cent from \$27.8bn to \$28.8bn. Compared with 19 per

cent in 1991, growth is anemic. Sales have been hit by patent expiries and increasing use of generic products, as well as greater discounting to bulk-buyers of medicines which are becoming increasingly aggressive.

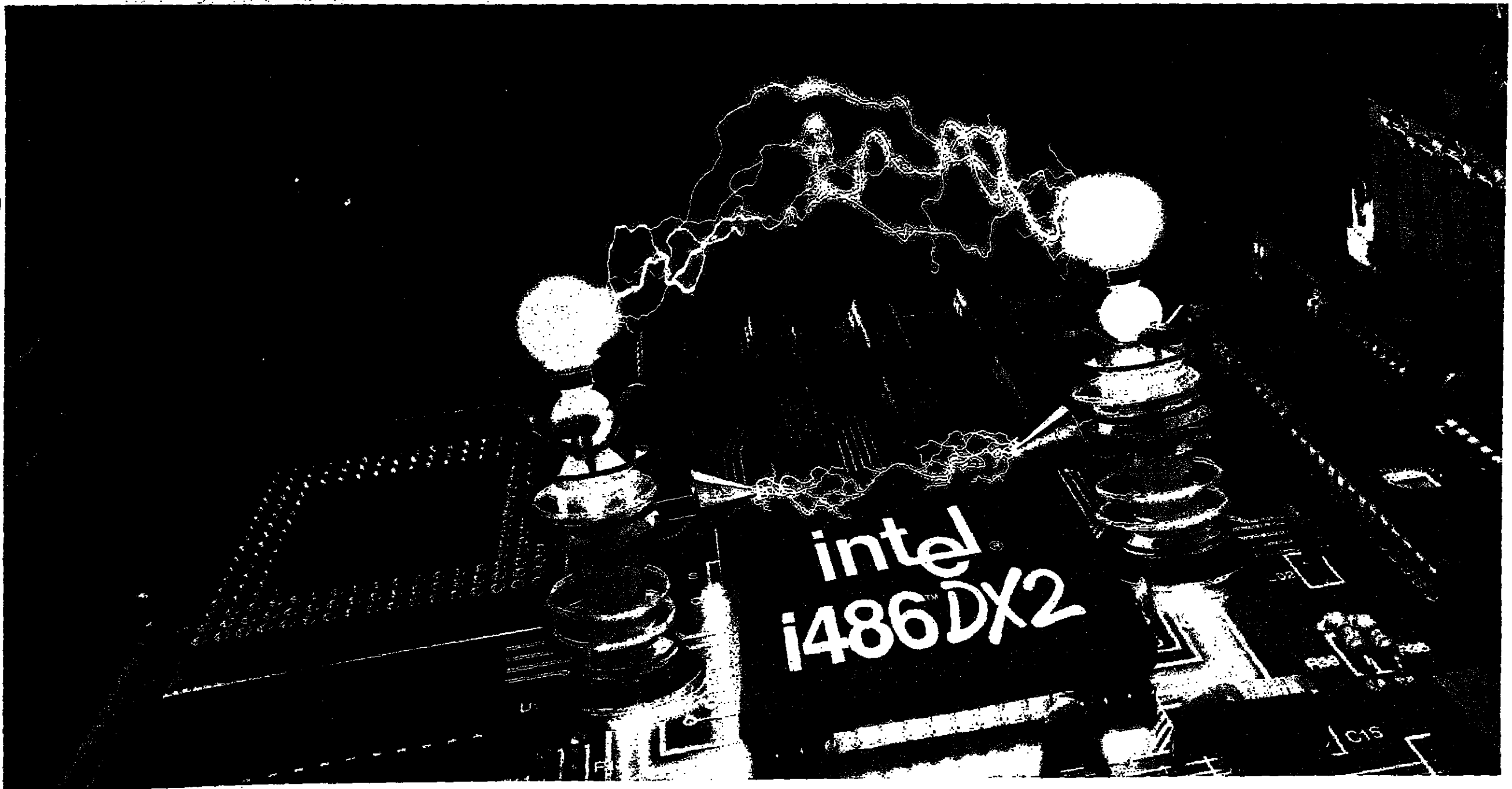
The Japanese hospital market increased 13 per cent at constant rates, up from \$9.9bn to \$13.2bn. However, the market is likely to be hit next year when the health ministry is expected to implement one of its biennial prices cuts - expected to be about 7 per cent.

WORLD PHARMACY DRUG PURCHASES JANUARY-AUGUST 1993 (\$bn)*

	Europe	US	Japan
Cardiovascular	6.759	4.896	1.981
Alimentary/metabolism	5.128	4.572	2.440
Anti-infectives	3.331	4.772	853
Central nervous system	2.784	2.703	1.761
Respiratory	2.869	2.942	1.055
Musculo-skeletal	1.648	1.459	1.242
Blood/organs	1.476	1.188	954
Others	6.233	6.476	2.767
TOTAL	30.228	28.806	12.833
Increase %**	1	4	13

*Hospital market only. **Excluding currencies.

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NEWS: INTERNATIONAL

Lagos court hears of top officials in land claim

By Paul Adams in Lagos and Michael Holman in London

NIGERIAN government ministers and senior army officers have been allocated prime building sites on land in Lagos, according to evidence filed in the High Court.

The land has been acquired through compulsory purchase under a retroactive decree issued by the former military government led by General Ibrahim Babangida. The decree has not so far been repealed by the military-backed civilian administration which succeeded Gen Babangida in August.

The evidence has been filed in support of legal challenges to the decree by a private development company and the Lagos state government. Issued last July and retroactive to 1975, the decree provides for the compulsory purchase of land on the city's shoreline.

Lagos State Assembly, which has begun a court action seeking to restrain the federal government from acting on the decree, told the court last Friday the names of those who will allegedly benefit.

Defence Minister General Sani Abacha, Foreign Minister Matthew



Babangida: annulled election

Mbu, Justice Minister Clement Akpangbo and Information Minister Uche Chukwumerije are among those named.

Also named is Mr EO Shonekan. A government minister who requested anonymity said this was the son of Chief Ernest Shonekan, the country's civilian head of state.

Nigeria's military-backed interim government said last night that it would appeal against a Lagos court ruling that it was illegal. Paul Adams writes from Lagos.

In a case brought earlier in the day by Chief Moshood Abiola, winner of last June's annulled presidential poll, the judge ruled that former military ruler Gen Ibrahim Babangida had no authority to appoint the interim government led by Chief Ernest Shonekan to take his place when he stepped down on August 26.

Mr Shonekan is due to address the elected national assembly in Abuja today when he is expected to defend this week's unpopular decision to increase petroleum prices.

The minister was speaking on behalf of Chief Ernest Shonekan, and responding to questions from the Financial Times.

The minister also said that those allocated the 140 sites would have to pay \$500,000 (\$5,000) per plot, and stressed that the allocation system did not contravene the law. Responsibility lay with the previous government led by Gen Babangida, he said. He declined to comment further, saying that the matter was sub judice.

City estate agents said yesterday that the designated price is substantially less than the sites' worth on the open market.

The list of recipients reads like a Who's Who of Nigeria's ruling establishment under Gen Babangida, who stepped down last August after seizing power in a coup in 1993.

Chief Shonekan, who had been appointed chairman of a transitional council of ministers in December 1992, was made head of state in August following Gen Babangida's annulment of last June's presidential elections. A new poll is set for February.

The list includes ex-vice president Admiral Augustus Abacha and several former ministers who served in the transitional council, which was disbanded in August: former finance minister, Mr Oladele Olashore, Mr Philip Asiodu, former oil minister, and Mr Olufemi Adesun, former transport minister.

Prominent among the military names in the list are the chief of defence staff Lt Gen Olafipo Dija,

head of the army Lt Gen Aliyu Mohammed and former heads of the army, navy and air force.

Others among the beneficiaries of the land deal are Mr Pascal Bafyan, the head of the Nigeria Labour Congress, and Mr Iyorchia Ayu, the recently deposed speaker of the Senate.

The Lagos state high court last week temporarily restrained the federal government from exercising ownership rights over the land it acquired compulsorily under the decree.

A separate legal action has been initiated by the Lagoon City Development Corporation (LCDC), the privately owned company responsible for reclaiming the disputed land.

LCDC has been negotiating with state and federal authorities for more than a decade for permission to develop the site.

Earlier this year Mr B. Gemade, housing minister, told the developers that the federal government was acquiring the land and that they would be compensated at rates well below the market value. Surveyors estimate that each plot is worth eight times the value the government is selling the land for.

LCDC refused to accept the order and took the government to court. In September at the court hearing the government produced a handwritten decree which swept aside the rights of individuals and state governments in Nigeria who own land reclaimed from the sea or within 100 metres of the shoreline.

A spokesman for the company said: "They dated it the day before we went to court so they could invalidate our action, although the decree was not promulgated till September. They also backdated the effect of the decree to overrule the 1978 legislation which ceded all federal government land to state governments."

The decree forces each lessee in Nigeria to renegotiate his lease with the federal government within 30 days although it was not gazetted until two months later. Failure to renegotiate risks dispossession and a fine of \$10,000 or a five year prison sentence.

The measure also denies the right of any court in Nigeria to challenge the decree's legitimacy and overrules property rights set out in Nigeria's constitution.

Kenyan post chief quits after criticism

By Leslie Crawford in Nairobi

THE managing director of the Kenya Posts and Telecommunications Corporation has chosen to take voluntary retirement following concerns expressed by Kenya's donors of financial mismanagement and corruption in the public utility.

Mr Kipung'u arap Nguny said he thought it was "wise and desirable to retire" after 14 years at the head of KPTC. Mr Philip Okundi, managing director of the Kenya Broadcasting Corporation, has been appointed to replace him.

Mr Nguny's departure follows an intense campaign by the International Monetary Fund and World Bank for a complete overhaul in the way KPTC conducts its business. In an auditor-general's report, KPTC was criticised for channeling funds to insolvent local banks and for failing to react to the Treasury's 18 per cent value added tax charges on telephone bills. It is also in arrears on its foreign debt and in its contributions to the National Social Security Fund. The company, with a payroll of 30,000 employees, is seriously overstuffed.

President Daniel arap Moi's government has promised to reform the parastatal sector in order to win back financial assistance suspended by donors in 1991. The World Bank is holding a meeting in Paris this month to discuss the resumption of international aid to Kenya.

Mr Dalmas Otieno, the minister for transport and telecommunications, yesterday denied that Mr Nguny had been involved in any financial impropriety at KPTC. "Mr Nguny is not under investigation, and we have no intention to investigate him," he said. "We are not looking for criminals, just ways of enhancing the efficiency of the parastatal sector," Mr Otieno said.

Vietnam promised \$1.86bn in aid

By David Buchan in Paris

VIETNAM was yesterday promised \$1.86bn (\$1.23bn) in development aid from foreign governments and multilateral agencies, in a move which marks a further step in the country's return to the international financial community.

After the first meeting of a World Bank-headed donors' conference for Vietnam, Mr Phan Van Khai, its vice-prime minister, said the money would be largely spent on education, child nutrition and infrastructure. The World Bank agreed with these priorities, but stressed Vietnam needed to tackle its "quite high" population increase of 2.2 per cent a year.

Mr Phan expected the aid programme would lead companies to increase investment in Vietnam. Hanoi had already licensed some 700-800 investments worth \$7bn.

More than half the promised aid, mainly in the form of soft loans, will come from other governments, with Japan accounting for the largest amount, of \$550m. Other prominent donor governments are France, Britain, South Korea and Australia. The rest of the aid will come from multilateral agencies such as the World Bank and the Asian Development Bank (ADB).

The one predictable absence from the aid consortium is the US. Hanoi's antagonist during the Vietnam war, but Japan as the main regional power, and France as the region's former colonial power, have stepped in to wipe out Vietnam's debt arrears to the World Bank and the ADB.

This has allowed Hanoi to reach agreement with US acquiescence, on a \$225m standby credit with the International Monetary Fund.

The IMF accord in turn opens the way for Vietnam to start discussions with the Paris club of official creditors in early December on rescheduling payments on some \$500m of its debt. Mr Phan confirmed yesterday. The country's total debt stands at \$2bn.

Mr Phan said Vietnam would need considerable further aid, if it was to meet its goal of doubling its national income by the year 2000. The vice-prime minister did, however, bridge at questions about human rights, stressing Vietnam had its own Asian interpretation of such rights which differed from western concepts.

Concern over moves against multinationals

Nissan pays Y17bn in US penalty taxes

By Michio Nakamoto in Tokyo

NISSAN, the Japanese car maker, has paid nearly Y17bn (\$108.25m) in penalty taxes to the US Internal Revenue Service, in settlement of an IRS ruling that the company avoided US taxes by transferring part of its income from the US to Japan.

The move by Nissan, which in effect accepts the IRS ruling, comes amid mounting international concern about US moves to tighten the tax grip on foreign multinationals operating in the US.

The penalty payment by Nissan relates to an IRS ruling that Nissan set transfer prices on its passenger cars and trucks imported by its US subsidiary in California at much higher levels than the IRS deemed appropriate, and that as a result Nissan reported lower income in the US than it should have.

Nissan contested the IRS ruling and the matter was referred to the National Tax Agency of Japan. "We do not believe the prices we charged were inappropriate," Nissan said. The Japanese Tax Agency

has agreed to refund Nissan the Y17bn so that it can avoid double taxation.

While the move by Japan signals acceptance that at least part of the income reported by Nissan in Japan should have been declared in the US, the case reflects "a difference of interpretation" of what constitutes acceptable transfer prices for goods sold within the group, a National Tax Agency official said yesterday.

The US has claimed that multinationals often abuse international transfer price rules which state that goods and services sold from one group company to another should be priced as if they were sold to any outside company.

By setting higher or lower transfer prices, the US claims, multinational companies have been able to shift their US profits abroad, thereby escaping US taxation.

But it is difficult to determine what an appropriate transfer price is, the Tax Agency official said.

In the US, for example, the strategy of sacrificing profits for market share, which is

common among Japanese companies, is seen as unnatural and raises suspicions of inappropriate transfer pricing practices, he noted.

The US interpretation looked at profits alone and not at the entirety of business practices, the official added.

It is not the first time for Nissan to be charged penalty taxes on the grounds that it had breached transfer pricing rules.

The IRS ruled previously that Nissan breached transfer pricing rules in connection with income for the years from 1975 to 1984. During those years Nissan exported 5.2m passenger and commercial cars, including the Sentra, the Stanza and Datsun trucks, to the US.

The company has already paid Y62bn in penalty taxes to the IRS, which has been refunded to it by the Japanese tax authorities. Nor is Nissan alone among Japanese companies in being charged on those grounds. The Japanese Tax Agency has intervened in negotiations with the IRS in at least eight cases involving Japanese businesses in the US.

Boost for Pacific forum LDP calls for Ozawa evidence on donations

By William Dawkins in Tokyo

JAPAN plans to upgrade the next meeting of the Asia Pacific Economic Co-operation forum, due in Tokyo in 1995, from a ministerial session to include a formal summit of heads of government.

Mr Tsutomu Hata, Japan's foreign minister, suggested the idea yesterday, marking a fresh enthusiasm for regional consultation by the Tokyo government. Apec, grouping some of the world's fastest-growing economies among its 15 members, will stage a ministerial meeting headed by the US in Seattle next week, to be followed by an informal meeting of leaders at President Bill Clinton's invitation.

"We have to think what kind of management will be most beneficial to the world economy after the end of the cold war. Apec can be an extremely effective place to think about that," said Mr Takeshi Isayama, director-general of economic co-operation at the ministry of international trade and industry.

Apec should be a forum for consultation, not for negotiations, said Mr Isayama. Most of Apec's Asian members, especially Malaysia and Thailand, share Japan's view. They are suspicious of what they see as US eagerness to turn Apec into a free trade zone, economically dominated by the US.

By Robert Thomson in Tokyo

JAPAN'S opposition Liberal Democratic party yesterday demanded that its former powerbroker, Mr Ichiro Ozawa, now a senior member of the governing coalition, testify in parliament about donations received from a construction company.

Mr Ozawa has admitted receiving Y5m (\$31,350) late last year, when he was still an LDP member, but insists the donation was legal, and claims the LDP is attempting to use the issue to derail the coalition's political reform programme.

Prime Minister Morihiro Hosokawa has promised to change the political system by the end of the year, and needs to secure quick agreement on four reform bills. However the LDP has listed 21 objections to the proposals and delayed negotiations with the government.

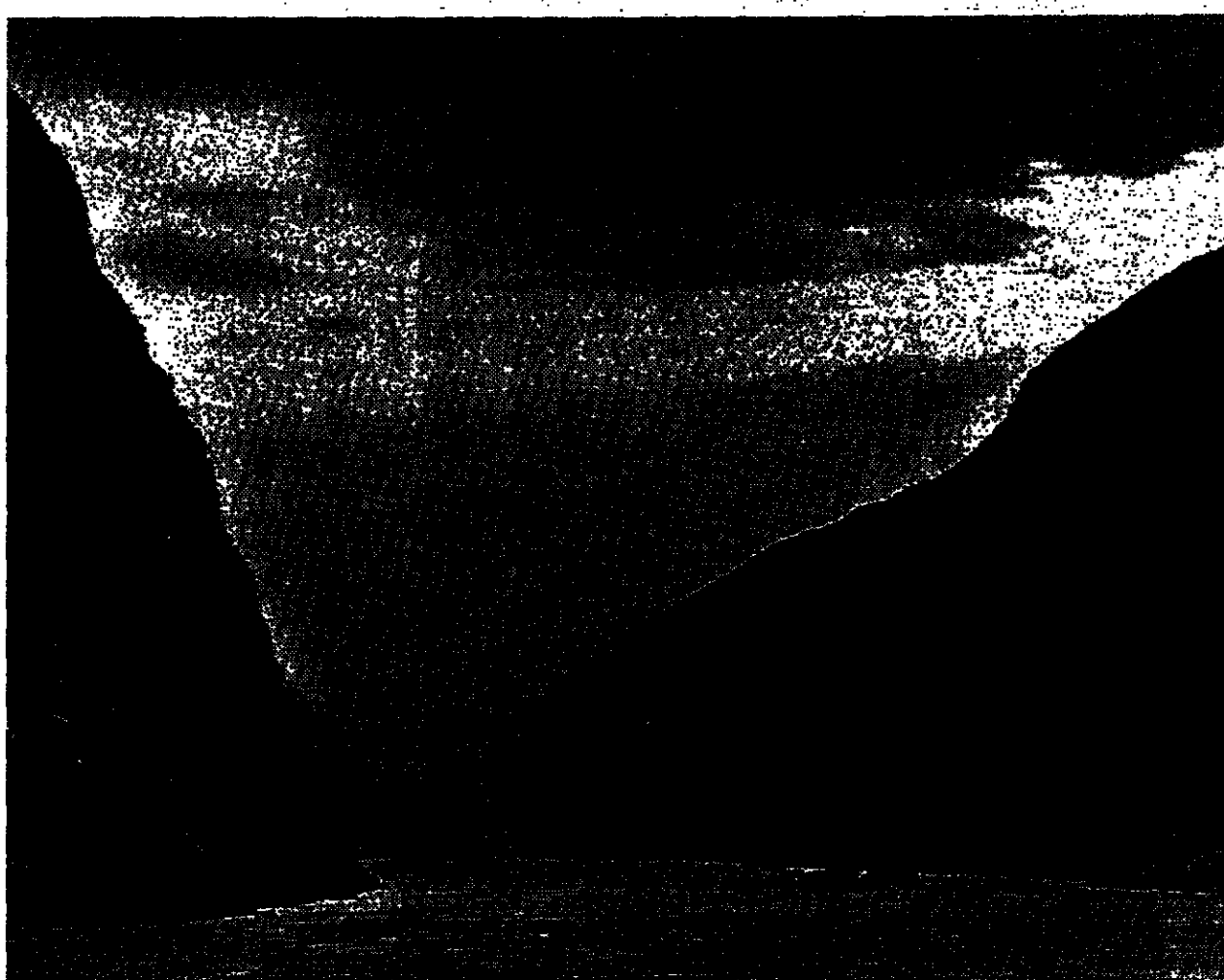
Disagreement over the reform bills has yet to dent Mr Hosokawa's personal popularity, according to a poll published by the Asahi Shimbun newspaper yesterday. After three months in office, his cabinet has an approval rating of 70 per cent, (71 per cent last month), but still higher than any other cabinet since 1948.

Apart from convincing the LDP to discuss reform and dealing with the Ozawa controversy, Mr Hosokawa faces difficulty in convincing the Social Democratic party, the largest group in the coalition, to accept even minor changes to the reform bills.

The SDP, formerly the Japan Socialist party, yesterday would not accept any alteration to a proposal for 350 MPs to be chosen from single-seat constituencies and through proportional representation, making a total of 500 members for the House of Representatives, the more powerful of Japan's two houses.

But the LDP wants 171 seats chosen through proportional representation and 300 from single-seats, which will replace the present multi-seat constituency system. Komeito (the Clean Government party), a coalition member, has suggested 275 single-seats, but the SDP said it would quit the coalition if the original proposal is changed.

SDP members, some of whom fear changes to the political system may end their parliamentary careers indicated yesterday that they want Mr Ozawa questioned in parliament about the background to the construction company's Y5m donation.



A ferry passes through the Three Gorges section of the Yangtze River above the proposed dam site

US AGENCIES TO PULL OUT OF YANGTZE PROJECT

By George Graham in Washington

TWO US government agencies are to end their involvement in China's controversial Three Gorges project to build the world's largest dam on the Yangtze river.

The Bureau of Reclamation, which is in charge of irrigation and water management in the US, and the Army Corps of Engineers, whose responsibilities include flood control and navigation, will sever their involvement in Three Gorges after they have completed work on a hydrological database.

Although the bureau and corps had

only a consulting role in Three Gorges, their withdrawal is a symbolic blow to the credibility of the project, which opponents charge will displace 1.3m people and flood nearly 100,000 hectares of China's best farmland.

Competing with each other in the 1930s and 1940s, the two agencies symbolised an era of monumental civil engineering when the US believed it could bend nature to its will with ever bigger dams such as Bonneville, Hoover or Grand Coulee.

The Bureau of Reclamation said its withdrawal from Three Gorges reflected the change in the agency's mission since the Clinton administration took office.

"We are not really in the dam-building business any more. We are a water resource management agency now," a bureau spokeswoman said.

The bureau falls under the aegis of Mr Bruce Babbitt, interior secretary, who has launched an ambitious attempt to transform the federal government into a better steward of the land and resources under its control. However, the US withdrawal is also a comment on the appropriateness of massive dams such as Three Gorges. "We wouldn't support such a project in the US now, so it would be incongruous for us to support it in another country," the bureau said.

First arbitration in labour dispute involving foreign business

Seoul rules for Citibank in fund row

By John Burton in Seoul

THE SOUTH Korean government has issued its first arbitration decision involving a labour dispute at a foreign business by ruling in favour of the management at Citibank, the largest foreign bank in the country.

Foreign businessmen, particularly bankers, had worried that a government decision supporting union demands would provoke labour unrest at their concerns.

The ruling for Citibank, hit by staff demonstrations and industrial action since late

August, follows government efforts to reverse a decline in foreign investment. Labour problems have often been cited as a main factor discouraging foreign investment in Korea.

The arbitration panel, appointed by the Ministry of Labour, said Citibank did not have to establish an employee welfare fund that was at the heart of the dispute.

It also ordered Citibank to give its workers a 9.5 per cent wage increase, higher than the management offer of 8.9 per cent but much lower than the union demand of 15.7 per cent.

Foreign businessmen had

initially feared the labour ministry's intervention in the dispute would hand down a victory for union members, since the ministry has been promoting the idea of an employee welfare fund since 1981.

The government wants companies to use part of their pre-tax profits to establish a fund that would finance employee benefits, such as low-interest housing loans. Proposed as a way to slow high wage demands, the fund has been accepted by most domestic banks and some large manufacturing companies as a result of state pressure.

Citibank refused to establish the fund because its workers are already among the best-paid in the Korean banking industry and are provided with a compensation package that is more generous than that offered by local banks.

Several other foreign banks, including Western Union, ABN-Amro and Bank of Boston, have suffered labour disputes over pay differences and compensation policies. High wage growth has been blamed for falling profits at most foreign banks, which have also been hurt by the economic slowdown and a loss in market share.

Anti-corruption official sacked in Hong Kong

By Simon Holberton in Hong Kong

A SENIOR official of Hong Kong's Independent Commission Against Corruption (ICAC), the anti-corruption watchdog, was yesterday dismissed without explanation.

Mr Alex Tsui, the commission's deputy director of operations, was sacked with immediate effect following an internal probe, the ICAC said in a brief statement. It would not specify the nature of the inquiry but he has been under investigation for some months.

The dismissal of Mr Tsui, the most senior ICAC official to be sacked since the founding of

the commission in 1974, comes at a time of heightened concern in Hong Kong about the rise in corrupt practices, especially those involving business dealings, and mainland Chinese parties.

Fear of increased corruption is the issue people in Hong Kong worry about most, as they prepare for China's sovereignty in 1997.

In the first nine months of this year complaints about business corruption in Hong Kong rose by 51 per cent to 1,341 complaints. Recently Mr Bertrand de Sperville, the commissioner against corruption, said the ICAC was investigating 40 cases involving main-

land Chinese companies or individuals.

A recent ICAC survey had found that corrupt business practices may represent 5 to 6 per cent of the cost of doing business in China. But respondents to the survey said this was bearable and did not amount to a disincentive to do business there.

Late last month Mr de Sperville held discussions in Guangdong and Beijing with senior government officials about cross border corruption and its prevention. He came away with an agreement from Guangdong's Provincial People's Procuratorate to increase liaison and co-operation.

NZ split over 'dry' minister

MR JIM Anderton, leader of New Zealand's Alliance party, which holds the balance of power in the new parliament, cannot work with Finance Minister Ruth Richardson, he said yesterday. Terry Hall writes from Wellington.

Ms Richardson was regarded as a leading "dry" in cabinet, and has been largely blamed by opposition parties for helping push through sweeping reforms in social welfare, health and other areas. "Ruth is all for pushing on while the country wants to take its foot off the accelerator," Mr Anderton said.

The prime minister has refused to comment on the likely shape of the new cabinet, to be formed after 200,000 special votes are counted next week.

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REGIONS PUBLISHINGS

OFF 11/93

US and UK join forces to fight fraud

By Stephen Fidler,
Latin America Editor

THE US and British governments signed an unprecedented agreement yesterday establishing a joint US-UK team of police officers to investigate fraud and financial crime in Britain's five dependent territories in the Caribbean.

The accord to establish the joint investigation unit, to be based in Miami, follows growing US concern over the use of

Anguilla, the British Virgin Islands, the Cayman Islands, Montserrat and the Turks and Caicos Islands as a base for financial fraud against Americans.

Under yesterday's memorandum of understanding, signed in Washington, two detective inspectors from the Metropolitan Police will join Federal Bureau of Investigation agents in Miami. It will operate initially for a two-year period. The team will largely be involved in intelligence and

evidence gathering in cases of white collar crime.

They will begin work on about 60 outstanding cases of white-collar crime. These usually involve victims in the US. In most cases if prosecution is obtained it is likely to take place in the US.

One example of the type of cases involved would be where worthless shares were lodged in a London bank used as the basis for launching an insurance company in the US, where they could insure up to

four times the value of their declared assets.

The territories are depending on the growth of the financial services sector as an important part of their economic development. According to British foreign office officials, the agreement has been welcomed in the territories because they see that their financial sectors are attracting criminals would risk driving away good business.

Mr Mark Lennox-Boyd, parliamentary under-secretary of state at the foreign office, said

the aim of the agreement was threefold: to catch existing criminals, to dissuade others from using the territories as a base for fraud and to develop local expertise in tackling white-collar crime.

This will be the first time US officials have been given law enforcement rights in the dependent territories, although there is already co-operation and information sharing between police forces there and the US on drugs trafficking and money laundering.

UK cools hopes of European roads expansion

By Charles Batchelor,
Transport Correspondent

THE DEPARTMENT of Transport yesterday sought to play down suggestions that an ambitious pan-European road network recently agreed by the European Union would lead to large-scale spending on new roads in the UK.

Mr Robert Key, roads minister, said there was no financial commitment on the part of the British government to fund improvements to the road network as part of the Trans-European Road Network. He was speaking at the conference of the Permanent International Association of Roads Congresses, in Brighton.

The EC Council of Ministers last month approved the designation of a 50,000-kilometre road network in Europe of which nearly one-quarter would require new building or improvement. A total of 200 sections of road, involving spending of Ecu120bn, have been identified in the plan, Mr Alfonso Gonzalez Finat, EU head of transport infrastructure, said.

The road network plan does not involve a financial commitment from governments but is intended to encourage them to back a pan-European network. The EU will provide funds through the European Investment Bank and other organisations, he said.

The announcement of the road network has created considerable interest among local authorities in the UK. But the Department of Transport is keen to play down expectations of higher spending. The UK already contributes more to EU transport funds than it gets back, the conference was told.

The UK is unwilling to provide guarantees for private spending on projects so increased lending by the European Investment Bank would necessarily lead to more EIB money being spent in the UK, said Mr Henry Derwent, highways policy director at the department.

He also warned against assuming that the European road network would automatically lead to the harmonisation of road signs. The UK is in favour of the European road network but can only agree to take it into account when deciding its road-building priorities, Mr Derwent added.

Leyland Daf workers win £10m compensation deal

By Richard Donkin

SACKED workers at Leyland Daf, the former Anglo-Dutch truck maker, won compensation technically worth about £10m yesterday when an Industrial Tribunal censured receivers of the company for ignoring employment laws.

Unions were claiming a "famous victory" for the 2,400 workers who were made redundant unlawfully because neither their employers nor the receivers who took over in February gave them the statutory 90 days notice.

The Tribunal issued a strongly worded verdict which criticised the receivers from Arthur Andersen. It said: "It is very surprising that the administrative receivers of eminence involved in this case should fail to meet their statutory obligations so repeatedly and so lamentably as they have done here."

The receivers argued yesterday that at the time that they moved into the company they were fighting to keep the business alive and there had been no alternative but to issue large scale redundancy notices.

Receiver Mr Murdoch McKillop said: "We had to use what limited funds that were available to save what was left of the company. The alternative was complete closure." The Leyland Daf case mirrored a successful claim by 700 former workers of Swan Hunter shipyard who were awarded £1.5m compensation in September.

Mr John Allen, the AEEU's chief negotiator at Leyland Daf, said the union had established an important principle. "Companies and receivers will in future have to obey the law or face the consequences."



Mr Kenneth Clarke, chancellor of the exchequer, pictured in Downing Street, as figures showed that the recovery was still patchy across Britain ahead of the November 30 Budget. Details Pg 8

Exchange appoints new CEO

By Robert Peston

THE LONDON Stock Exchange will announce today that it is appointing Mr Michael Lawrence, the finance director of the Prudential Corporation, the UK's biggest insurer, as its new chief executive.

His appointment ends an eight month search, following the dramatic resignation in March of Mr Peter Rawlings, who took responsibility for the collapse of the Stock Exchange's Taurus project to reform its share settlement system.

It is one of the most important City of London appointments for many years. It comes at a time of widespread debate about the Exchange's future.

Following the humiliating collapse of Taurus many City practitioners believe that it should withdraw from settlement services altogether.

They believe that the Exchange should not be the ultimate owner of the Crest system which is planned to succeed the current arrangements.

It had been widely rumoured that another leading contender for the job was Ms Jane Barker, the Exchange's highly regarded finance director.

However it is understood she never allowed her name to be considered and may leave the Exchange for reasons unconnected with the appointment of the new chief executive.

Overseas claimants face curbs

By James Bittz

MR PETER LILLEY, the Social Security Secretary, has called for an investigation into how overseas visitors to Britain can be restricted from making claims for state benefit.

Mr Lilley has requested the Social Security Advisory Council (SSAC), a government advisory body, to consider draft legislation which would preclude persons from abroad from receiving housing benefit or council tax benefit if they were not permitted to on entering the UK.

Social security officials say that, at the moment, foreign visitors can change their residential status in the UK to qualify for new benefits. They say that the SSAC has been asked to look into ways to prevent this.

In recent months, ministers have claimed that "foreign scroungers" have made considerable claims on the social security budget. From next spring, housing benefit will no longer be available to foreign claimants. The government also plans to impose a residency qualification on EC nationals who claim benefits in the UK.

In a speech to the Tory party conference last month, Mr Lilley highlighted the issue. "We have all too many home-grown scroungers," he said, "but it's beyond the pale when foreigners come here expecting our handouts".

Manchester ready for new games bid

By Ian Hamilton Fazey

MANCHESTER yesterday took the first steps towards bidding for the 2002 Commonwealth Games. Staging them would ensure a national stadium was built in the city and would be the springboard for another attempt to host the Olympic Games, this time in 2004.

Organisers of the failed bid for the 2000 Olympics have started urgent talks with potential private sector backers and sporting interests. If a consortium can be formed, the Commonwealth Games Federation for England will be asked to make Manchester its candidate in February.

The final choice from all candidates world-wide will be in two years' time. Manchester city council said that although

many recent Commonwealth Games had lost money, media rights would be more attractive after South Africa's re-admission to the games. The continuing emergence of competitive countries such as Malaysia and Kenya were also factors in making the games more attractive to TV companies.

The Commonwealth Games will also be seen as one means of celebrating the Queen's golden jubilee: she ascended the throne in 1952.

A site for the stadium has been cleared and there is strong support to build one anyway - seating 60,000 people. This would be big enough for the Commonwealth Games but the design would be expandable to 80,000 seats if the city were to bid again for the Olympics.



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THE EUROPEAN
THE WEEKLY NEWSPAPER FOR EUROPE

NEWS: UK

AT&T favoured over BT, survey shows

By Andrew Adams

CORPORATE customers of British Telecommunications believe that AT&T, the US telecommunications giant, would provide a better all-round service than BT if allowed to compete in the UK, according to an industry survey to be published today.

The Telecommunications Users Association, which represents more than 1,100 users across the public and private sectors, said the 1,000

respondents believed AT&T had the "strongest set of credentials" to compete in the UK, and was rated above BT on three out of five performance indicators.

The survey is a significant boost to AT&T in its attempt to gain a licence to compete with BT in the UK. Its application is being considered by the government.

Although user perceptions of AT&T depend to some extent on reputation alone, the association stresses that a large proportion of

respondents has already dealt with the US operator, either through US offices, or through other services AT&T provides in the UK.

Ms Vivienne Peters, the association's chief executive, said: "BT is going to have a tremendous fight on its hands if AT&T is given a licence and takes the UK seriously. It will be good for UK companies."

AT&T was rated ahead of BT on customer service skills, value for money and understanding the business needs of customers. BT scored

higher on reliability and financial stability.

Two-thirds of the respondents believe that BT and Mercury have become more customer-focused, with strong support in particular for new billing arrangements. But 41 per cent of BT users and 27 per cent of Mercury users reported "recurring faults" over the past year. Nearly a third of Mercury users reported a "major loss of service" over the past year, compared with 22 per cent of BT users.

Frequency of changes in account managers was felt to be a shortcoming with BT. Most respondents said account managers were influential in their perception of the network operator. "Frequent changes in account managers mean that customers very rarely reached a point where the BT manager fully understood the business organisation."

Although competition was welcomed, most users felt discount schemes were becoming too complex.

HOW UK BUSINESSES RATE RIVAL TELECOMS COMPANIES

	Score out of 5
1 AT&T	3.57
2 BT	3.57
3 Mercury	3.34
4 Worldcom	3.18
5 Easynet	3.11
6 Cable	3.11

Figures are based on a survey of 1,000 UK public sector and private sector users. Source: TUA

Pretoria in talks with BAe

By David White, Defence Correspondent

BRITISH AEROSPACE is holding discreet talks with South Africa on a possible contract for the Hawk military jet, once the UN lifts its embargo on defence sales to Pretoria.

A deal would involve either supplying UK-built Hawks, which are designed both as trainers and as light combat jets, or licensing their construction in South Africa.

The company would not confirm that it was in negotiations with the state-owned South African group Denel.

Any deal is not possible under the present circumstances. Contacts have already been held at government level on opportunities for UK defence companies if the embargo is lifted following South Africa's elections next year.

At the same time, BAe is negotiating with Saab-Scania of Sweden to become a partner in the AS 39 Gripen light-weight jet fighter, made by a Swedish consortium.

The UK company, which provided the first wings for the aircraft during the development phase, is discussing component supplies as well as an overseas marketing deal.

Japanese boost for Thorp plant

By William Dawkins in Tokyo

JAPAN has reconfirmed its commitment to the use of plutonium for nuclear fuel, in an encouraging sign for the 2,500 Thorp nuclear reprocessing plant in Cumbria.

The commitment, restated in the Japanese government's annual report on atomic energy, indicates that the country is likely to honour contracts to buy reprocessed fuel from the plant.

Japan would be Thorp's biggest foreign customer, if the plant wins approval from the UK government.

A decision is expected shortly. The Japanese Atomic Energy Commission report said recycling was "an important ele-

A computer virus sparked a safety scare at a nuclear power station, it emerged yesterday.

The Yankee virus signalled the presence of a personal computer at Sizewell B in Suffolk started playing the tune Yankee Doodle Dandy, Computer Weekly magazine said.

Station operator Nuclear Electric dismissed one man for

members of parliament from four of the seven ruling coalition parties, is lobbying for an end to plutonium imports because Japan has a surplus. They fear that weapons-grade material could fall into the wrong hands.

But the report says Japan will have a plutonium fuel shortage until the end of the

decade, when its own reprocessing plant is due to open.

Stocks, now stand at 4.5 tonnes, of which 1.5 tonnes are stored in Japan and the rest at reprocessing plants in France and Britain. They will be consumed at a prototype reactor at Monju, on Japan's west coast, due to start operation next spring.

Officials estimate that stocks will last about three years, after which Japan will have to import another shipment of plutonium from Britain or France.

In January Japan shipped 1.1 tonnes of plutonium from a reprocessing plant owned by Cogema, the French nuclear

fuels group, causing an international outcry from environmentalists.

Most of the remaining coal-fired stations would be running at considerably less than full capacity, the company said.

Typically they employ

National Power expects to close coal-fired stations

By Michael Smith

NATIONAL Power, the electricity generator, expects to close about 10 coal-fired power stations by the year 2000. The news comes as a severe blow to Britain's beleaguered coal industry.

The closures may leave National Power with only eight coal-fired stations. It now operates two dozen power plants, including those fired by gas and oil.

Most of the remaining coal-fired stations would be running at considerably less than full capacity, the company said.

National Power's gloomy prospects underline the difficulties the government will have privatising the coal industry. With the coal market shrinking, ministers may struggle to find buyers.

National Power yesterday identified only two of the doomed power stations, Thorpe Marsh in South Yorkshire and Staythorpe in Nottinghamshire, saying both will shut next spring.

Mr John Baker, chief executive, said plants at risk were the smaller ones which are less efficient and can be more easily run at partial load.

between 100 and 150 people.

Plants likely to survive through to the next century are thought to include Drax and Eggborough in North Yorkshire, Westbury in Nottinghamshire, Didcot in Oxfordshire, Rugeley in Staffordshire, Abertawe in South Glamorgan, Tullybr in Essex and Ironbridge in Shropshire. In a further setback for British Coal, Mr Baker said National Power's coal stocks were down just 1m to 18m tonnes in the half year and it was unlikely to buy additional coal this winter.

Results, Page 16



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Britain in brief



Employers find patchy recovery

Further evidence that the UK is experiencing a patchy and uneven recovery emerged yesterday in the latest survey of regional industrial trends.

The survey, produced by the Confederation of British Industry, the employers' organisation, and Business Strategies Ltd, a regional economic consultancy, showed that differences in demand have produced mixed fortunes for manufacturing across different regions.

Overall, UK manufacturing orders and output changed little in the four months to October. But orders for companies in the West Midlands and Scotland increased sharply while in Northern Ireland and the south west they fell.

The first signs of recovery came from the heavy truck segment of the market late last year, as hauliers began to replace ageing fleets, but in the last couple of months demand for medium-sized vans has also begun to pick up, albeit from a low base.

Radio station loses licences

A commercial radio station owned by two of the major companies in the industry, Capital Radio and GWR, has lost both its broadcasting licences.

The Radio Authority decided not to renew the licences of DevonAir which broadcasts in the Exeter and Torbay area of Devon. Instead both FM and AM licences have gone to Gemini Radio.

7.9m holidays sold in summer

Travel agents sold 7.9m summer holidays this year, the highest level since 1988, according to Lunn Poly, the largest retail travel chain. Last summer's figure was 8 per cent up on the 7.3m holidays sold the previous year.

Mr Richard Bowden-Doyle, Lunn Poly's marketing director, said this year's increase was the result of the poor UK summer and competitive pricing. He said the increase also appeared to reflect holiday-makers' confidence that the recession was ending.

Spain was the top-selling summer destination this year, accounting for 38 per cent of the market, up four points on last year. Greece was second although its share dropped to 17 per cent from 20 per cent in 1992. Austria and France are expected to account for 29 per cent each of the ski market this winter, compared with 36 per cent each in 1992-3. Italy's weak currency is expected to boost its share of the market.

IR attacks creditor plan

The Inland Revenue criticised proposals by the Department of Trade and Industry that threaten its preferential status as a creditor to companies in financial difficulties.

It argued that its priority ranking above other creditors was "necessary" and wanted it to be maintained in any changes to insolvency legislation. The comments were in response to a DTI document which called for an overhaul in existing procedures for company voluntary arrangements and administration orders.

The document said that some countries are eliminating or reducing the number of preferential tax creditors.

Banks maintained their tentative support for the proposals, which would require them to lose some of their rights as priority creditors by abiding by CVA's and giving a company seven days' notice before appointing receivers.

Commercial vehicles up

New commercial vehicle sales rose by 4.4 per cent in October, the second consecutive monthly increase.

The commercial vehicle sector has taken much longer than the car market to emerge from recession, but there are growing signs that a recovery is now under way.

New commercial vehicle registrations rose to 16,148 last month from 15,465 in the same month a year ago, while registrations for the first ten months of the year at 169,359 were still 2.2 per cent lower than a year earlier, according to figures released by the Society of Motor Manufacturers and Traders.

The first signs of recovery came from the heavy truck segment of the market late last year, as hauliers began to replace ageing fleets, but in the last couple of months demand for medium-sized vans has also begun to pick up, albeit from a low base.

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Lone parent benefit row

Conservative MPs yesterday urged the government to press ahead with its examination of ways to cut state benefit to single parent families after new data revealed a sharp rise in the number of lone mothers claiming social security in recent years.

Statistics showed that the number of lone parents claiming income support, one of the major benefits disbursed by the Department of Social Security, had risen by more than 38 per cent in the last five years.

The figures coincided with a row in Westminster over whether ministers were planning to cut state benefit to lone parents to reduce the social security budget.

Rail incentives for companies

Private companies running train services could qualify for incentive payments worth up to hundreds of thousands of pounds if they meet punctuality and reliability targets.

The proposals to reward improved performance are contained in the government's draft objectives for the franchising director, which were published yesterday.

The franchising director, Mr Roger Salmon, a former director of NM Rothschild, the UK merchant bank, will be able to use part of his budget to reward rail operators which improve punctuality and reliability of train services.

The franchising director will be responsible for deciding who will run the 25 franchise created under the government's rail privatisation plans.

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**FACE TO FACE
WITH THE
GREEK ECONOMY**

* Many Names Involved

Trials and tribulations of drug harmony

Peter O'Donnell reports on the need for a standard approach to pharmaceutical testing

Discussion flared in Florida last month over how much sun could get through the window of a Tokyo pharmacy in high summer.

This conundrum was just one item on the agenda of 1,600 scientists from the pharmaceutical industry and health ministries around the world who attended the Second International Conference on Harmonisation of the Technical Requirements for the Registration of Pharmaceuticals for Human Use.

Against the improbable background of Disney World, the cream of the world's drug developers and regulators spent three days debating how an alignment of divergent national testing requirements could bring new medicines onto the market more quickly.

At present, there is no standardised approach to checking how medicines stand up to light - which is why the Japanese Ministry of Health and Welfare was presenting detailed data on how it measured the exposure of a drug stored near a south-facing window during a 14-day period in June.

Drug manufacturers face a daunting technical challenge in bringing their new products on to international markets. Differing regulatory demands from country to country oblige a company to perform new tests or present its data in different formats to satisfy each health authority.

With the average cost of developing a new drug estimated at nearly \$350m (£238m), companies have a powerful incentive to eliminate unnecessary expenditure and delay - and one obvious route is the rationalisation of testing requirements.

According to David Kessler, commissioner of the US Food and Drug Administration: "Science-driven harmonisation can curtail duplication and thereby reduce significantly the cost of new drug development - not just in dollars spent by the industry, but in risk-taking by patients, in experimentation with

laboratory animals and in the regulatory effort of our governments."

After more than three years of intensive collaboration, the health authorities and the pharmaceutical industry in the world's big three drug development regions - the EC, US and Japan - are now starting to see the first results of their labours towards rationalised drug registration requirements.

Cuts of 33 per cent in the cost of stability testing have been claimed as the result of one of the harmonisation measures announced in Orlando.

A joint guideline nearing agreement on long-term toxicity studies holds out the promise of halving the length of some tests

Motivations include long-term economic benefit, faster drug development, fewer animal tests and better science

without any significant loss of data.

Similar agreements are in prospect on a standard format for presenting clinical trials data, how to screen out potential cancer-causing agents, whether it is legitimate to transfer results between ethnic groups and the hundreds of other detailed testing standards that have pushed drug costs upwards and held back new product introductions.

These could be only the first steps. Drug regulators are now admitting, for the first time, that the prospect of a single standard application format worldwide is not entirely unrealistic, and that the road could even extend to joint review of new drug applications.

Given that the EFTA countries, Canada and the World Health Organisation are also involved in this harmonisation process and that many other countries wish to join in, the long-term benefit for companies introducing

new drugs already appeals to business managers as much as to research heads.

However, the touchstone of success will be how quickly the new agreements can be put into practice in the three regions which are the motors for change. Kessler has warned that cost constraints could prevent the FDA moving ahead "with the sense of urgency that harmonisation projects may deserve".

Keith Jones, director of the UK Medicines Control Agency, has responded that delay by any of the three regulatory parties "would deliver little to industry or to patients". And Ferdinand Sauer, the EC Commission's head of pharmaceuticals, has drawn a connection between the success of the harmonisation programme "and its correct and swift implementation in the three regions".

There is also a perceived need to speed up the harmonisation process itself and make the negotiations more efficient. As Nobutaka Tsunakawa of the Japanese Pharmaceutical Manufacturers Association remarked on the development of the stability testing guideline: "At the beginning of the process, we expected to obtain early results with this issue. But it took three-and-a-half years to reach our goal."

Some European industry representatives at Orlando, resentful that they had been bounced into a deal which tightened up testing requirements for them, ruffled the feathers of diplomacy by circulating a letter complaining of decisions being made "in a political climate".

Nevertheless, the process appears set to continue. The obvious motivations include long-term economic benefit, faster drug development, fewer animal tests and better science.

But for many of the hundreds of experts involved in this network of meetings and discussions over the last three years, the satisfaction - and the principal recompense for a heavy increase in personal workload - is that of the pioneer.

It is summer a few years' hence and you want to lay on an outdoor grill. You call up the American barbecue page on your computer screen and the system linking your home with the local supermarket asks whether the meal will be for two, for several people or for a party.

You give your answer. It asks what sort of drinks, appetisers, main courses, side dishes and desserts you want, even whether you want to use a food processor. All screen options are illustrated, some with videos. You tap in your preferences and recipes with ingredients and brand names and prices can be called up and printed out.

You order the shopping electronically with a simple barcode scanning device or direct from the screen. The goods are delivered through a secure entry point, or "hole-in-the-wall" in your home, or to a collection point at, for example, a nearby petrol station.

It all sounds blissfully effortless, if somewhat soulless. However, a US study has shown that 64 per cent of people dislike going to the supermarket for their basic shopping, as many as hate going to the dentist. The figure is quoted by Andersen Consulting which has opened a \$5m (£3.3m) retail centre in the UK to demonstrate how technology can be applied to meet the pace of change in the industry.

Named Smart Store Europe and located in Windsor, west of London, it shows some of the gadgetry and computer systems which are becoming available to the retail, distribution and manufacturing sectors. As well as shopping by screen, it gives an idea of what the automated, computerised store of the future will look like, from the check-out counter to the manager's office.

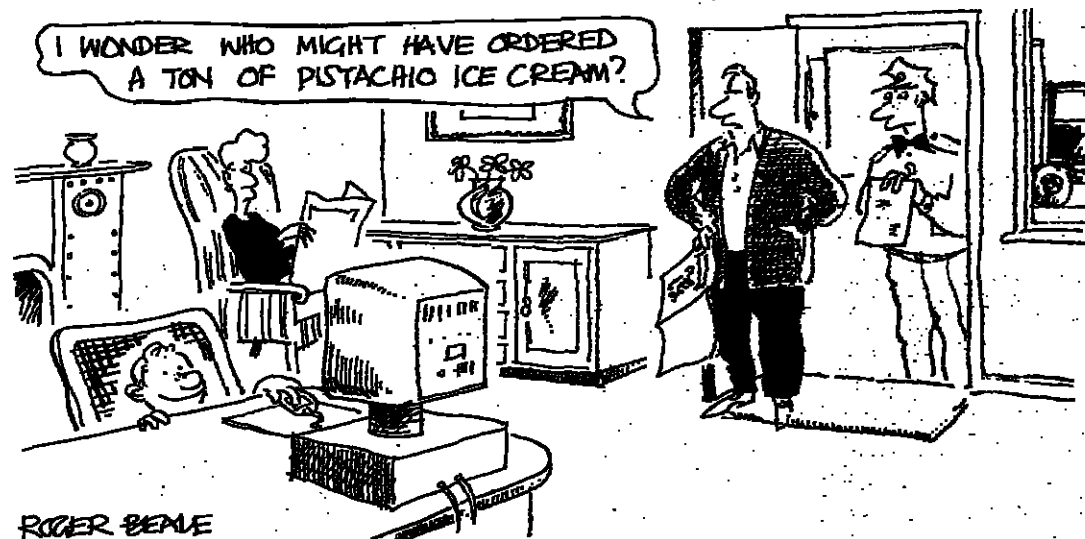
John Hollis, a partner in Andersen Consulting's UK practice and director of the Smart Store, believes the retail sector is about to experience a tremendous shake-up. "I see us going through such huge, turbulent changes in this industry in the next few years that just talking about it is not enough. There are real fundamental issues that the boards of companies will have to work through."

Evidence of change is abundant. In Germany, the Karstadt and Hertie store groups are discussing a merger to combat the effect of the shift in consumer tastes to niche and discount retailers.

Competitors are crowding in to the UK. Costco, the US warehouse club operator, plans a big, cut-price outlet in the east of England. Discount retailers such as Aldi of Germany and Netto of Denmark have invaded the food market. US-style factory outlet malls are also coming to the UK. Aware that their high profit margins cannot last, UK supermarkets have now embarked

High-street habits are changing with the advent of computerised shopping, reports Andrew Fisher

Tapping into convenience



ROGER BEAVE

on a price-cutting wave.

Such developments will make a big difference to the way people do their shopping. So will the changes in the telecommunications and entertainment industries, mainly led from the US; these have implications for shopping by television (already a reality in the US), video links to the home and multimedia services combining sound, pictures and computers.

If people can have their basic purchases delivered, will they want to go shopping at all? Some will not. But most will want to see some of the goods they buy. Shops and stores are also places of social activity, the difference being between "replenishment" and "enjoyment" shopping. In future, a person could enjoy a drink or a snack while browsing through lists of items on a screen and ordering by scanner. Shopping trolleys will have video information about goods on offer and where they are to be found, as well as games to keep children amused.

Advice on anything from building a conservatory to clothing will be available from in-store computers. Managers' offices will also become more electronic. The one in Andersen's Smart Store has a terminal

with information about sales trends; this is duplicated on a pad computer which managers can carry around the store.

"Managers don't have to be in the office," says Tamar Herman, a consumer products manager with Andersen. "The idea is for them to get close to the customer and manage the workforce better." The computer would tell managers when they needed to order more of a certain product and help work out labour schedules.

With better data, managers would be able to make more marketing and strategy decisions, says Herman. "A common problem is that information gathered at the store goes up to the central office and comes back down in a stack of paper two weeks later."

The first company to visit the Smart Store in Windsor - there are others in Chicago and Sydney - was Marks and Spencer; the UK clothing and food chain. The visitors' list also includes Nestlé, the Swiss food producer and Hachette, the French publishing group.

Some companies have long grasped the value of keeping ahead in technology. ICA Handlarnas, the Swedish co-operative food retailing group, has spent SKr580m (£87m) on

streamlining its distribution system by using computers to link its 2,500 member stores. It has shut half its distribution sites. Stores are also being equipped with new scanning equipment, so that up-to-date sales information can be used to help purchasing and analysis.

Hollis sees scope in the UK for store groups to save money by pooling their distribution efforts. If direct ordering from the home really does take off, goods could be delivered from the warehouse without ever being in a supermarket. This could cut prices by some 5 per cent, depending on how much of the savings are kept by suppliers.

At a time when flat population trends mean retailers can only grow in many countries by sowing others' market share or expanding abroad, the way they use technology will have a powerful influence on their success in improving service for shoppers while keeping prices down.

This is what consumers are coming to expect. Many have become used to the convenience of automated banking and buying insurance by telephone, notes Hollis. "People have changed some of their habits to quite devastating effect on the high street."

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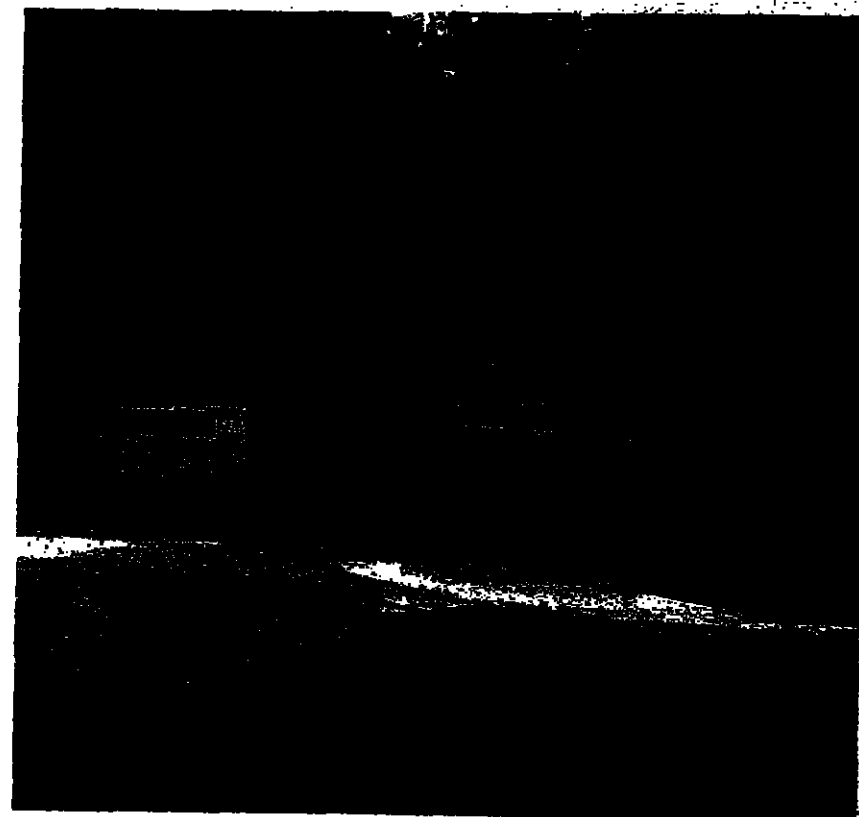
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'Mandragola' opens new theatre

Seeing a comedy by Nicolo Machiavelli (1469-1527) is like dis- Mill was big in panto or George the. Machiavelli's *Mandragola* is the old wine in the new bottle, since it inaugurates The Southwark Play- house. First the theatre. The renovation cost under £10,000. This engineering shop, and Filippino and religion have now ceded to seats are an irony Machiavelli black or dark green walls would have reminded him of the spell in prison after the Medici lost control of Florence. There are a dozen spotlights, a small playing area, and a bar. The Southwark Playhouse fills this part of London and, on acquaintance, looks good. Now the play. Machiavelli wrote *Mandragola* long after his political ambitions had been thwarted; it has a realist like his *Discorsi* and *Il Principe*, it catalogues what men and women do rather than what they ought to do. The plot weaves around an impotent Florentine, Nicolo. Hearing of her beauty, Calimacco has come from France to seduce her, and Ligurio to gain entry to her bedchamber. First Calimacco pretends to be a medic prescribing mandrake root, the man who makes love to Lucrezia post-mandrake. He then takes on a second disguise as an expendable street urchin, ushered in by Ligurio and Mes-

ser Niccia for a night of pleasure with Lucrezia. She enjoys it, Calimacco declares his love, and they plot a future as doctor and patient. The church, in the form of a quiet, worldly friar, watches indignantly. The result is a cocktail of *Up Ditterer* and *Les Liaisons* trysts, but laced with Machiavelli's sententious: "Always uncertain loss" or "it is the lesser of two evils." There waiting to happen: Ligurio, green suit and orange shirt, can still observe: "I believe what satisfies the majority is itself good."

The Turkish director Mehmet Ergen, who has worked on Sam Shepard and David Mamet, keeps the dialogue natural and relaxed. Peter Pacey Webster as the pragmatic Friar is particularly good, in love with the deliciousness of the plot, but nevertheless keeping Morrison as Calimacco is by the chief seducer.

It is surprising to find that Machiavelli works on stage. His maxims are most suited to the political world of the recently published book *Machiavelli's Children* but to organisations (the focus of Anthony Jay's *Machiavelli & Management*), where it is much more secure and where the reputation of power is power.

Andrew St George

Southwark Playhouse, Southwark Bridge Road, SE1 071 620 3494 until November 27

Concert/David Murray Brooding Russian

On Tuesday we should have heard Nikolai Demidenko playing Tchaikovsky's *Waltz* in the Wigmore Hall, with his violin-companion Grigori Zilinski and the French-Canadian cellist Sophie Rolland. But when we got there, the concert had shrunk to a solo recital by Demidenko. I might just have gone home; this formation, but rarely any sympathy. His last-minute programme included a lot of two of whose concerti he recorded with electrifying commitment last year, so I stayed. Medtner is a peculiarly interesting composer: a contemporary of Scriabin and Rachmaninov, and hugely fluent - but unlike them a Westernising "conservative", because his man and Brahms. He fled Russia soon after the Revolution, and lived his last 30 odd years in Golden Green. Demidenko cuts rather a daunting figure: lofty, chilly, saturnine. His Medtner here was the *Sonata Reminiscenza* and the *Sonata Tragica*, each of them prefaced by a slighter piece from which it grew: a "Canzona Serenata" and a "Canzona Matinata", respectively wistful and morning-dewy. Viktoriya Postnikova used to

make a specialty of the *Sonata Reminiscenza*, which flowed under her hands continuously and hauntingly, amid subtle each new thematic idea arrived with a gridding, clash, as if Medtner's structures were held together by main force alone. Moments of pungent character, erupted as if from nowhere. The laser-illuminations were brilliant, their sequence fractured and unpersuasive.

Demidenko had begun his recital with Tchaikovsky's *Dumka*, virtually an "occasional" piece - useful but little stuff, which he searched through with slow, excruciating tenderness, rather marvellous to hear. The second half of his programme, all Rachmaninov (three *Etudes-Tableaux*, seven *Préludes*), was only fitfully concentrated. There was a regular scatter of finger-slips, especially in rapid bass-shots - most unlike Demidenko's usual omni-competent form.

The 3-Dat minor Rude-Tab-leau began with a newly original kind of brooding and ended in drawn-out gloom, but the middle was all-out, triple-force bashing. The programme-notes reported the expatriate Demidenko as declaring that "being Russian is a duty" that may be so, but the duty need not be so icy, nor so grimly stern.



Ivory takes on Ishiguro: Anthony Hopkins and Emma Thompson in 'The Remains of the Day'

What the butler didn't see

The *Remains of the Day* takes the oldest of movie genres and turns it upside down. Instead of "What the butler saw" here is "What the butler didn't see" in some cases pre-tended he hadn't. Like Kazuo Ishiguro's Booker Prize-winning novel, James Ivory's film is a tragedy about spiritual myopia. Not the least of the movie's own tangy paradoxes is that our buttoned-up and blinkered hero, this all-unseeing-ruler of silver salvers, is played by Sir

repent screen role was as a man who saw everything. Not only saw it but smelt it, heard it and whenever possible ate it alive. The main things Stephens ate it all - let alone savour - are love (housekeeper Emma Thompson) and political imbrolio (James Fox as his quivering master Lord Darlington, hosting appeasement parties in the Nazi-themed 1930s). But his sensibility as a life of "Yes, sir, no, sir" riel flow between heart and brain.

The novel was a *tour de force* of pathos and behavioural comedy. Its antipode on British repression - on what R.M. Foster once called our "deficiency of heart" - was not just about Stephen's first-person narrative, from *Clutterbuck's Travels to Moby Dick*, it encouraged self. Might not this omniscient "I", aiming his prejudices or disdains or disingenuous innocence at the world, be the biggest of all the book's boobies, prigs or self-deceiv-

Helped by his longtime screenwriter Ruth Praver Juhanvala (*A Room With A View*, *Howards End*), Ivory deftly transfers the book's past/present interplay onto the English countryside in his new master's Daimler to rendezvous with his married Miss Kenton (Thompson). And he suppresses their little flame in the that gridiron dust that alcohol! Prepare visits by Chamberlain and Ribbentrop.

The book's comic highlights are written again for the film: Stephens is asked to instruct a young relative of shrinking into himself like a salt-sprinkled slug while Miss Kenton tries to wrest his latest reading matter from him (a romantic novel). Even when the film threatens to overplay a moment from the novel sobbing helplessly in her bedroom to convey the latest dusting instructions - car-Hopkins and Thompson. Other casting choices are dodgier. Too

often the film reaches for the James Ivory Rep Directory and sticks a random pin in it. Christopher Reeve? - oh dear me not - then returns, greyer but no less one-dimensional, to buy up Darlington Hall. (This is an over-the-top screenwriter's touch: were different.)

Reeve is a gawky bantamweight thrown into a ring full of swift-moving heavyweights. But what a show those superior grace and lethal diffidence, holding off the head and sometimes offering his own respectful version of a right hook. (Show spreadeagled on the canvas.) Thompson, as in *Howards End*, strides straight out to

the middle of the emotional arena and never retreats. This actress can make everyday distress seem like high tragedy and spinsterly longing yearn the film-ago the way?

In *Demolition Man* Sylvester Stallone wakes up in the year 2032. He has spent 38 years in a "cryo-penitentiary," but age has withered not refrigeration staled those plugging-up features. (Nor that Yogi Berra back in 1936, when his gun-he showed up with black psychopath Wesley Snipes resulted in the death of 30 hostages.)

Now he is back in "San Angeles" (sic) deep-freeze to become a state hit-person. Add a villainous city ruler with a Brit accent (Nigel Hawthorne) and an outbreak of runaway production design (David L. Snyder, once of *Blade Runner*) and you have a sci-fi film cum cop opera. Mercifully, amid the bang-bangs, there self-satire an honourable name in *Last Action Hero*, it is Stallone's turn now to mow down haddies with post-modern implausibility; he cracks blithe one-liners: and he even has a gentle swing at his rival with a bit of dialogue about the

THE REMAINS OF THE DAY (U)
James Ivory
DEMOLITION MAN (IS)
Marco Brambilla
GUILTY AS SIN (IS)
Sidney Lumet
L'ACCOMPAGNATRICE (PG)
Claude Miller

Theatre/Malcolm Rutherford Han Ong's 'The LA Plays'

According to a programme note for the new play at the Almeida, there were 38 arrests of male prostitutes under the age of 18 in the city of Los Angeles last year. I have been wondering what that figure means. Is 38 a lot or a little? Should there have been more arrests, fewer or none at all? Is it the age figure that is significant? What happened after the arrests and while we are on the subject what are the numbers for female prostitutes, and the changes over time? On the basis of other figures in the programme, 36 seems rather small. The population of Los Angeles County grew by 50 per cent to just over 9 million between 1960 and 1990. There are 31,753 actors and directors living in LA, not including dancers, models, singers and game show hosts. Equity, the actors' union, has a membership of 9,000 in the Los Angeles area. The conclusions from the statistics are not clear. On the other hand, Han Ong has the good sense to keep the figures off the stage. *The LA Plays* are an effective piece of theatre at least until about two-thirds of the way through. They tell of when they enter into a bout of repetitive four letter words, but before that there is much to entertain and act and the direction is uniformly high throughout. The difficulty, for the author as much as for the audience, is trying to determine what the piece is about. Three strands compete. One is what it is like to be an Asian-American; another is as much as for the audience, to boot; and the third is the special nature of Los Angeles in particular (the pursuit of stardom) and America in general - "a big country", as one of the characters says, "but a lonely place". There is also AIDS. All of which is a lot to put into a piece of 21 short scenes lasting barely two hours including an interval. To a European, not resident in Los Angeles, quite the most interesting aspect sociologically is the absence of blacks. Here are whites, Hispanics and Asians: no wonder the blacks in the city sometimes rebel. The Asian 18-year-old, beautifully played by François Chau, and oddly called Greg, is universally described as "smart". He is frequently asked by Caucasians about his ethnic origins - American what? (In fact, his family is from Taiwan.) All that he takes in his stride. He does not seem to have any doubt that American is what he has become, but he prefers to use his smartness on homosexual affairs, a bit of travel to New Mexico, while making enough money from peddling drugs and hiring his striking out. He is rather a striking, attractive figure even when the inevitable AIDS sets in. Other characters stand out less, though I greatly admired the performance of Ramon Tikaram as Greg's friend, Nicholas. Ong says his play is as much about geography as about people, and one can see what he means. A young white arrives in LA from Iowa, and seems more out of place than Greg from Taiwan; he, too, takes to male prostitution, but tends to call his clients "sir". For the most part, this is a haunting production with some very terse dialogue. It is directed by Matthew Lloyd and cleverly designed by Julian McGowan.

Almeida Theatre. (071) 359 4404



François Chau and Stefan Bednarczyk

INTERNATIONAL ARTS GUIDE

ATHENS

Megaron Tonight, tomorrow: Alexander Myrat conducts La Camerata in works by Janacek, Schmitt, Bach and Honegger. Tomorrow: Rudra Béart Lausanne opens a week of performances, including world premiere of Béart Hadjidakis. Nov 27, 28: Nikolaus Harnoncourt conducts Chamber Orchestra of Europe, with Gidon Kremer (01-728 2333/01-722 5511)

BARCELONA

Gran Teatre del Liceu Tomorrow: Uwe Munt conducts Orchestra of the Liceu in works by Richard Strauss. Sat: final performance of Giordano's *Fedora*, with Mirella Freni. Next Mon, Tues, Wed: National Ballet of Spain (tel 412 3532 fax 412 1188)

BUDAPEST

The Hungarian State Symphony

Orchestra celebrates its 70th Anniversary next Thurs with a concert at the Academy of Music featuring music by Ken-ichiro Kobayashi, and Berlioz. Kobayashi also conducts a Schopenhoven programme tonight, Sun and next Tues. Repertory at the State Opera consists of Prokofiev's ballet *Romeo and Juliet*, Fidelio, Don Pasquale and L'Elisir d'Amore. The Elit Theatre has Hungarian-language performances of Rigoletto, Die Fledermaus, Il barbiere di Siviglia and Madama Butterfly, plus Erik's Delibes' ballet Coppelia. Pre-booking for concerts at the National Philharmonic Booking Office (Vörösmarty tér 7) and for opera at the Central Theatre Booking Office (Andrássy út 18) and theatre box offices.

FLORENCE

Teatro Comunale Tomorrow, Sat, Sun: Gustav Kuhn conducts Bruckner's Fifth Symphony. Next week's concerts are conducted by Carlo Maria Giulini (055-277 9236)

LONDON

THEATRE
Angels in America: the first complete showing in Britain of Tony Kushner's two-part epic. The second premiere in a production at the Cottesloe directed by Declan Donnellan, running in tandem with Millennium Approaches. Previews begin tomorrow, opens Nov 20
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(National 071-928 2252)
Hamel: English Touring Theatre's production of the play by Alan Cumming and Eleanor Bron, directed by Stephen Urrin. Opens tonight (Donmar Warehouse 071-867 1150)

One Man: three one-man plays written and performed by Steven Berkoff, a hit at the 1993 Edinburgh Fringe. Now in previews, opens Mon (Garick 071-494 5085)

Medea: Diana Rigg repeats her award-winning performance as Euripides' tragic heroine (Wyndham's 071-867 1116)

Moonlight: Harold Pinter's first full-length play for 15 years, in the Almeida production starring Ian Holm and Anna Massey (Comedy 071-867 1045)

Relative Values: Noel Coward's comedy in the acclaimed Chichester Festival production directed by Tim Firth, a cast of Coward

Arcaide: Felicity Kendal and Emma Fielding in Tom Stoppard's *Ull Nov 24* at the Lyttelton with classic of the American avant-garde, starring Fiona Shaw (National 071-928 2252)

An Inspector Calls: Stephen Daldry's landmark production of J.B. Priestley's psychological thriller (Aldwych 071-836 6040)

OPERADANCE

Guildhall School Theatre Tonight, Sat, next Mon and Wed: David Lloyd-Jones conducts British premiere of Massenet's *Griselette*,

designed by Caroline Gawn and designed by Aidona Cunningham (071-838 8888)

Covant Garden: The Royal Opera gives final performances of Yevgeny Olegin tonight (with Dmitri Hvorostovsky and Catherine Malfitano) and Melsterninger on Sat (Allan). Repertory for the rest of the month is devoted to a restaging of Martin Duncanson's Scottish Opera production of *Die Zauberflöte*, conducted by Andrew Parrott, opening on Mon with a cast including Amanda Rocco, Sumi Jo, Peter Coleman-Wright and Robert Lloyd. The Royal Ballet has double-bill pairing Balanchine's *Ballad Imperial* and Ashton's *Tales of Beatrix Potter*, and a mixed bill including MacMillan's *Differant Drummer* and Forsythe's *Herman* (Royal Opera 071-240 1066)

Coliseum English National Opera's repertory over the next week consists of *La Nozze di Figaro* and *Il barbiere di Siviglia*. A new production of *La Bohème* opens on Nov 20 (071-836 3161)

CONCERTS
South Bank Centre Tonight: Laszlo Heltay conducts Royal Choral Society and RPO in works by Gounod and Fauré. Tomorrow: James Blair conducts YMSO in Richard Hickox conducts City of London Sinfonia in works by Pärt, Norman song recital. Tues (RFH): Weber, Schumann and Beethoven, with piano soloist Ivan Moravcov. Tues (QEH): Stan Edwards conducts

Doclands Sinfonietta in Takemitsu, Beethoven and Stravinsky, with violin soloist Thomas Zehetmair. Wed, Thurs: Bernard Haitink conducts LPO in Mozart and Enescu. Sat, Nov 21: Sviatoslav Richter (071-928 8800)

Barbican Tonight: André Previn conducts LSO in works by Prokofiev and Elgar, with piano soloist John Casadesu conducts Orchestre National de Lille and Pro Musica Chorus of London in Haydn's *The Creation*. Sat: Igor Oistrakh is violin soloist with ECO. Mon, Tues, Wed: works by Rachmaninov, Stravinsky, Prokofiev and Sibelius, conducted by Yuri Temirkanov (Mon, Tues) 18, 21, 25: Kent Nagano conducts LSO. Nov 22: Harnoncourt conducts GOE. Nov 23: Sviatoslav Richter (071-838 8891)

MILAN
Teatro alla Scala Tonight, tomorrow: Georges Prêtre conducts orchestral works by Debussy, Stravinsky and Brahms. Mon: Orchestra Filarmonica della Scala. Nov 21: Nicolai Gedda song recital. Nov 22: Mirella Freni, Dec 7, opening of 1993-94 opera season with *La Vestale* (02-7200 3744)

MADRID
Teatro Lirico La Zarzuela Tonight, tomorrow, Sat, Sun: Ballet Flamenco. Nov 18-20: Compagnie Angelin Prefilici (01-...)

Auditorio Nacional de Musica
Tonight: Andres Segovia Orchestra plays works by Martiniz, Mozart, Haydn and Mendelssohn. Tomorrow, Sat, Sun: Victor Pablo Perez conducts Spanish National Orchestra in works by Anton Garcia Abril. Next Tues and Wed: final recitals in Lindsay Quartet's Beethoven cycle (01-337 0100)

ROME
Teatro Olimpico Tonight: Andreas Schmidt, accompanied by Rudolf Jansen, sings Lieder by Schubert and Schumann on texts by Heine. Next Thurs: I Virtuosi di Roma. Nov 23: Mommix Dance Theatre. Dec 2: John Elford Gardner conducts Monteverdi (06-320 1752)

TURIN
Teatro Regio The opening production of the season is Bellini's *Capuleti e Montecchi*, conducted by Bruno Campanella and staged by Giorgio Marin, with double casts including Mariella Devia and Martine Dupuy. Daily except tomorrow and Mon till Nov 21 (011-881 6214)

VENICE
Teatro La Fenice Tomorrow: Christian Thielemann conducts final performance of Giulio Chazaleit's production of *Der Rosenkavalier*, with Felicity Lott, Anna Sofie von 25, 28, 30, Dec 2, Dec 7, Dec 10, Dec 13, Dec 16, Dec 19, Dec 22, Dec 25, Dec 28, Dec 31

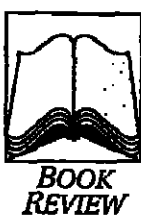
ARTS GUIDE

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Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Left behind in Latin America



For 30 years until the fall of the Berlin Wall in 1989, the left in Latin America was transfixed by Fidel Castro's Cuban revolution.

Now the Soviet regime that subsidised him is history and Castro looks like an old Latin American caudillo clinging desperately to power.

Since the end of the cold war it has been the rightwing advocates of market-oriented reforms, and not the left, that have been offering change in Latin America. Governments across the region have been squashing the size of the state, deregulating and opening up protected markets to foreign competition.

For many on the left, these policies have failed to stimulate sustainable growth. Worse, they have widened divisions between rich and poor. But what is the left's alternative?

This is the question the leftwing Mexican academic, Jorge Castañeda, addresses in *Utopia Unarmed*. He says revolution - except for extreme groups such as Peru's Shining Path - is no longer on the left's agenda.

Indeed, in contrast with its past equivocation, the left as envisaged by Castañeda views representative democracy and human rights as priorities. Democracy requires more than elections, however. What is needed is reform of existing democratic institutions, including increasing accountability, and a fair judicial system.

The left in the 1980s must continue to be nationalistic, he says, in part because the process of nation-building is incomplete. But its nationalism must take a new shape. The left should recognise that developments in the global economy constrain this nationalism. It should reject foreign interference in domestic issues, such as narcotics policy. However, the left should embrace the notion that international influence on other issues - human rights, the environ-

ment, fair elections - can enhance nationalist objectives. The left should build alliances with groups in the west - to seek, for example, to influence US policy on specific issues. Castañeda and others of the Mexican left have already begun the process, co-operating with labour groups in the US to oppose the North American Free Trade Agreement between Mexico, the US and Canada.

Within the nation, governments should decentralise power to regions. Outside, they should seek regional economic integration, but only among equals. This rules out Nafta, but includes accords among developing countries.

In the Castañeda vision, state ownership is no longer an end in itself, but he still advocates a central role for the state in the economy. He accepts market capitalism - but not the Anglo-Saxon variety. Instead, he looks to continental Europe and its system of social welfare, and to the Far East for its model of industrial policy and export-led growth.

UTOPIA UNARMED: THE LATIN AMERICAN LEFT AFTER THE COLD WAR
By Jorge G. Castañeda
Knopf \$27.50

Castañeda, however, fails to resolve some crucial problems for the left. How much of the free-market agenda would left-leaning governments have to adopt not to scare off investment? Though he calls this a false dilemma, he agrees that "the business community in most of Latin America has a choice today... when faced with the unpleasant prospect of a reformist government - pack up and go elsewhere".

Castañeda fails to pursue some of the more interesting ideas from the right that could have an impact on poverty. For example, giving people in Latin America's slums legal title to their homes - currently owned by nobody - could alleviate the plight of the urban poor.

His vision may ultimately be unworkable. But if the left does shape up in the way Castañeda suggests, it would end up embracing many of the social democratic traditions of west Europe. That can only be good news for Latin America's still shaky democracies.

Stephen Fidler

My articles attempting to persuade people that there is more danger of deficit than of excess demand have contained one deliberate omission. They have not called for slashing reductions in interest rates, irrespective of what other countries do, and irrespective of what happens to sterling.

Instead they have concentrated on the need for a change of priorities at the international level in both the "summit" Group of Seven countries and the European Community. As far as UK domestic policy is concerned, they have focused on the case against taking risks with the recovery by piling on net tax increases over and above the quite large imposts already left behind by the former chancellor, Norman Lamont, for implementation next year and beyond.

This emphasis has been there partly because the main sources of deficit demand are outside the UK - they are particularly to be found in continental Europe and Japan. There is an unnecessarily large gap between output and capacity in most places. But it is at least possible that in the UK the gap may be near to stabilising, while in other areas it is getting wider all the time.

Another reason for not joining the ultra-cheap money bandwagon is that its members exaggerate the extent to which an individual medium-sized country can "go it alone" in interest rate policy and ignore the consequences for the exchange rate.

Nothing could be more misleading than the belief of the Tory incoherent that the price of sterling is no more important than the price of tomatoes. While a big change in the price of tomatoes might at most lead to related changes in the prices of lettuce and cucumbers, the exchange rate is the main link between one country's price level and that of its trading partners. It is true that the 1992 British devaluation, following the departure from the ERM, had a smaller inflationary impact than many analysts expected and that the UK has since had a faster rate of growth than its European partners. But these events may have given a highly misleading impression of the scope for a single country to decide policy on purely domestic criteria.

The 1992 devaluation was a one-off event, taking place when downward pressures on inflation and activity were exceptionally severe worldwide. Indeed the governor of the Bank of England, Mr Eddie George, came to the conclusion that at the original ERM entry parity, the UK "might have actually had falling prices". Instead the UK has had an underlying inflation rate of 3 per cent, which will show an upward blip in coming months, but which the Bank hopes will return to 3 per cent by 1995.

What applies to a single devaluation in exceptionally favourable circumstances would not apply to a policy of repeated depreciation. Even in the present depressed world economy,

it will not be possible to absorb nearly as much of the effects of another devaluation in importers' margins, or in the margins of foreign goods competing with British ones in international trade, as it was last time round.

There is, moreover, a tendency to exaggerate the scope for purely national interest rate policies, even under a regime of flexible exchange rates. Short-term real interest rates are then indeed free to vary between countries for temporary periods. But this is much less true of long-term real interest rates or even of average short-term ones over a period.

The fact is that, in a world of free capital markets, real long-term interest rates tend to converge. This is a more fundamental sense of "not being able to buck the market" than Lady Thatcher had in mind in her famous remark after she stopped her chancellor shadowing the D-Mark in 1985.

In a single free capital market, there will be one prevailing long-term real rate of interest. This long-term rate can be regarded as either the prevailing long bond rate or the expected average of short-term interest rates, appropriately discounted. These two measures must be consistent with each other; otherwise there would be easy profits to be made from moving from short to long-term fixed interest securities, or vice versa.

In practice, nominal bond rates in different countries are not, of course, identical. But an individual country's rate can differ from the going international rate - default risks apart - only by a currency premium or discount, reflecting the expected appreciation or depreciation of the currency.

The fact is that, in a world of free capital markets, real long-term interest rates tend to converge

against other main currencies.

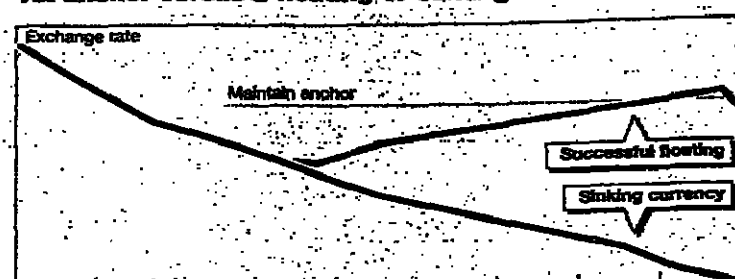
The expected movement of a currency will, over a sufficient period of years, in its turn mainly reflect expected inflation differentials. Thus, long-term interest rates in the UK can only be lower than those in Germany if the expected inflation rate is lower.

ECONOMIC VIEWPOINT

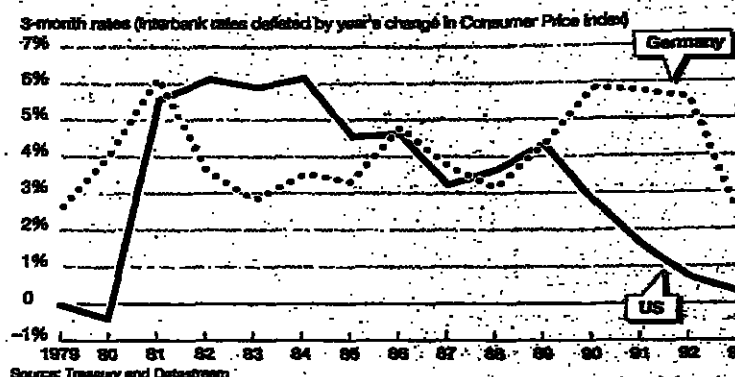
Why we cannot just 'go it alone'

By Samuel Brittan

An anchor versus a floating or sinking exchange rate



Real interest rates compared



This is clearly not the market's expectation. UK 10-year bonds yield nearly 1 percentage point more in the UK than in Germany, despite all the British base rate cuts. French bond yields have, however, virtually closed the gap with German ones.

It is true that US bond yields are about half a percentage point lower still - more likely reflecting market belief in a temporary undershooting of the dollar than that US inflation will fall behind that of France and Germany. The country where nominal bond rates are decisively below the international average is Japan - which reflects optimistic expectations both about yen appreciation and Japanese inflation.

What flexible exchange rates permit is temporary variations in either direction in real short-term rates. In some circumstances, this may be a valuable degree of freedom; but it is, of course, limited. For a country, such as the UK, trying to stabilise its currency after decades of inflation and depreciation, the choice is illustrated

in the first chart. If it could carry out a successful domestic monetary policy, the result might look like the line marked "successful floating". There would be periods - say during domestic recession - when real short-term interest rates would be lower than elsewhere.

The official British desire to confine and limit the role of the European Monetary Institute is counterproductive

There would be other periods, say after a burst of credit liberalisation, such as the UK experienced in the mid-1980s, when its rates would be higher. There would be corresponding fluctuations in the exchange rate; but over the long term there would be little trend one way or the other.

against the currency of a country with stable prices. Even if those in charge of monetary policy never looked at the exchange rate and only at domestic monetary variables, success in their policies would ensure that the exchange rate followed a horizontal trend, despite short-term variations on either side.

A flexible rate can thus provide no more than an opportunity for a temporary deviation from the international real interest rate norm. For instance American short-term real interest rates could be well below those of western Europe in 1982-83 because the dollar was regarded as depressed and likely to recover. This temporary deviation may have been useful, as was the UK move to lower short-term interest rates after September 1992. But there was no way either country could indefinitely run a programme of real interest rates below prevailing international rates. If you look at the gap between US and German real interest rates over the years, the differential went first one way and then the other, with a tendency to balance out over the years.

The risks of going it alone should now be pretty clear. For in the situation shown in the chart it would be terribly tempting for the UK - or another European country suffering from go-it-alone temptations - to let its exchange rate slide just that last bit too long into the mid-1990s. Its rulers are unlikely to know enough about monetary relationships to tighten up in time. But a consequence of delay in taking corrective action is that inflationary expectations become reinforced, and high costs entrenched. After that the transitional output and job costs of bringing the exchange rate up to the horizontal line will seem to be (and will be) too high.

Thus there will be strong pressures to tread the path of inflation adjustment shown by the diagonal line. A more constructive, if at present unfeasible, route to a monetary policy for non-inflationary growth would be through resumed international co-operation. The most hopeful path is neither to go back to reconstructing the ERM and constructing ERM as if nothing had happened, nor is it to build co-operation around inflation targets alone, as the Bank of England sometimes hints. A better path would be to have a concerted policy towards nominal demand, at least at a European level, and preferably taking in the G7 as well.

By far the best place to begin would be with the European Monetary Institute due to start in January in Frankfurt under Alexandre Lamfalussy. The official British desire to confine and limit the role of the Institute is narrow-minded and counterproductive. If Europe is to be less dependent on a single anchor country such as Germany, which is now less able to play that role, the ERM is its last best, whether it develops into a European central bank or into a settlement, less glamorous but still playing a vital role.

LETTERS TO THE EDITOR

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Japanese nuclear policy increases UK's risk

From Mr William Walker.

Sir, For the first time, a Japanese official has acknowledged that, if Thorp operates, plutonium separated from Japanese fuel will have to be stored at Sellafield (Letters, November 8). While Mr K Kaneko of the Federation of Electric Power Companies of Japan says that it will not remain there "forever", he knows that Japanese objectives cannot now be met without long-term storage at Sellafield. If current contracts are honoured, around 35 tonnes of fissile plutonium will be separated from Japanese fuels by British and French reprocessors. Japan is also constructing its own reprocessing plant at Rokkasho-mura which is expected to produce a further 50 tonnes in the 10 years after it opens in 2001. Add another 5 tonnes from the existing Tokai-mura plant and one arrives at a supply of about 90 tonnes by the year 2010.

The trouble for Japan is that its consumption of plutonium cannot approach this figure. The fast reactor programme that was to have absorbed most of the plutonium has been much delayed, and plans for using the material in conventional reactors are still in their infancy. A surplus of more than 20 tonnes by 2000, and 40 tonnes by 2010, is now probable if reprocessing plans are implemented. The Japanese government has recently reaffirmed its "no stockpiling" policy. The great political sensitivity in east Asia about plutonium has led the Japanese government to declare that only a "burning stock" sufficient for current needs will be held on Japanese territory.

The implication is that any surplus will have to remain in Japan until well into the next century. This will be true even if plutonium recycling expands after 2000, since priority will then have to be given to using the plutonium separated at Rokkasho-mura. Otherwise, stockpiling in Japan will be unavoidable. If Thorp operates, large tonnages of Japanese-separated plutonium will therefore have to be held in store at Sellafield.

Along with the British plutonium for which there is no use, and the German plutonium which is also likely to remain here, the surplus stock at Sellafield will exceed 100 tonnes soon after the year 2000. Reprocessing is now the most expensive and risky storage policy imaginable. Instead of leaving the plutonium and radioactive wastes safely stored in spent fuel, they are separated out just to be stored again. How can the government consent to this? William Walker, Director of Research, Science Policy Research Unit, Mantel Building, University of Sussex, Brighton BN1 9RF

BSI sought 'new breed' of executive

From Dr M D Sanderson.

Sir, Mr Macdonald's letter (November 4) referring to my comments on the proposed changes to the British Standards Institution Royal Charter and their relevance to the recommendations of the Cadbury committee misses the point.

The Cadbury committee took special care to define clearly the respective responsibilities of executive and non-executive directors. The proposed BSI Royal Charter changes sought to create a new species of corporate animal, the "executive non-executive". Apparently, members of this new species would have the power under the proposed changes to reward themselves financially for services rendered without the normal checks and balances.

These changes were understandably rejected by the subscribing membership of the BSI, representing a cross-section of British industry, at the BSI annual general meeting. Mr Macdonald may have been a member of the Cadbury committee, but perhaps he should have listened and understood more carefully. M D Sanderson, chief executive to June 1993, BSI

31 Murray Maus, London NW1 9RH

No order to seize Brazilian mahogany

From Mr Herman Schey.

Sir, The article "Judge orders seizure of UK-bound mahogany" (October 29), by Oliver Tickell, is misleading and inaccurate.

We are concerned that your readers, who include many of our suppliers, customers, bankers and professional advisers, may now be under the impression that we have been involved in an illegal shipment of mahogany from Brazil. At the time of your article, Tradefink had no "shipment of mahogany half way across the Atlantic". No Brazilian judge ordered the immediate seizure of this shipment, nor had he ordered "the sequestration of thousands of cubic metres of mahogany belonging to C&C". The last shipment we made from C&C was loaded on October 8 and had already arrived and been distributed in the UK. It was exported from Brazil with the usual valid export licence and necessary export documentation. In terms of The Timber Trade Federation

guidelines for shipments from a non-AEMEX supplier like C&C, we took the additional precaution of insisting on Brazilian certificates of origin guaranteeing that the mahogany did not come from Indian reserves. The information we have about C&C regarding the judge's ruling on October 18 is that IBAMA, Brazil's environmental protection agency, accused C&C of obtaining mahogany export quotas on the basis of false information. The Brazilian judge ruled that all mahogany exports by C&C from Brazilian territory should be halted. He also suspended its mahogany quota and gave C&C five days to respond to the allegations. C&C responded on October 21, vigorously contesting all the allegations made against it, and the matter is still in the hands of the Brazilian courts. In the meantime, C&C continues its business; in other species because its export licence has not been revoked. We have suspended

our mahogany purchases from C&C effective October 19 and will review our policy towards it after clarification of its legal position. We do not wish to be seen as fighting for or defending C&C's legal position as this is a matter for the Brazilian authorities. We fully support TTE and its efforts to ensure that mahogany is derived from legal sources. We will take no part in illegally sourced timber from anywhere in the world and always attempt to obtain supplies from well-managed forests. H P Schey, managing director, Tradefink Wood Products, Tradefink House, 25 Beethoven Street, London W10 4LG

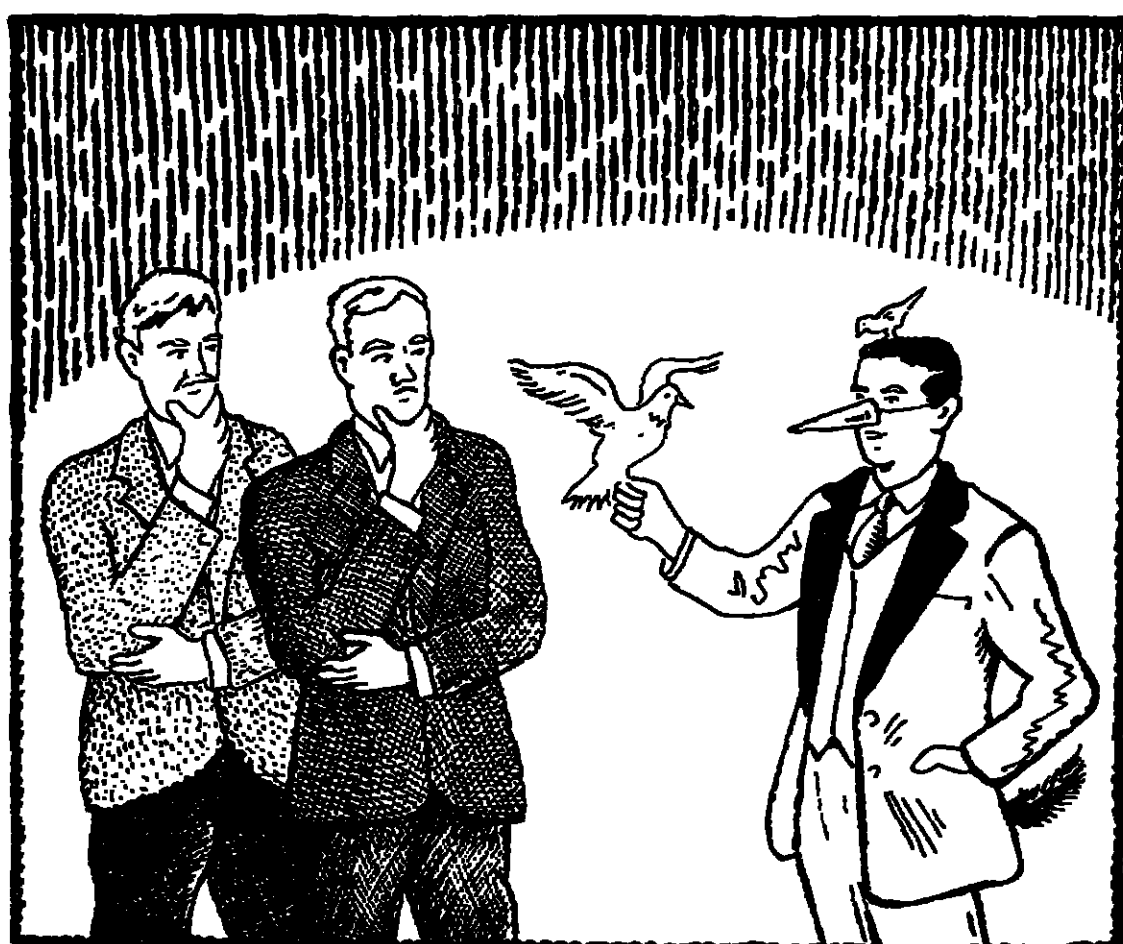
Commission could halve anti-dumping unit

From Professor Roland Vaubel.

Sir, If Sir Leon Brittan, the European Commission's trade commissioner, wants to double the staff of his anti-dumping unit he ought to be told that predatory dumping presupposes a dominant market share ("Britain wants larger anti-dumping unit", November 4). If

the Commission confined itself to those cases in which a foreign supplier or a cartel of foreign suppliers has acquired a dominant market share in the Community, it could cut its anti-dumping unit by more than one half. The condition of a dominant market share is well estab-

lished in EC competition policy. It would also be consistent with the EC anti-dumping regulation. Competition and anti-dumping policy would at least be integrated. Roland Vaubel, department of economics, University of Mannheim, D-68131 Mannheim, Germany



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Thursday November 11 1993

Europe by any other name

JONATHAN SWIFT would have been richly rewarded by the comical western European governments are performing over here they should christen the 12-nation grouping just reborn under the Maastricht treaty. Just as in Gulliver's Travels the rulers of Lilliput and Blefuscu fought for decades over whether they should crack their eggs at the big end or the little end, the leaders of late-1980s Europe are spreading confusion over the small matter of a name for their remoulded organisation. Is it still the European Community - grown from the 1957 Treaty of Rome and responsible for 35 years of deepening economic and political integration? Or is it something new, with ambitions that sound grander and vaguer - the European Union?

The Gallic answer is that it is both. Maastricht created a hybrid in which the old European Community coexists with a new framework for co-operation between its individual sovereign governments, within the European Union. When its members discuss matters that fall within the parameters of the Treaty of Rome, such as trade, they are the EC. When they talk about new areas of co-operation under Maastricht - foreign and security policy, justice and home affairs - they are the EU.

Confused? You are not alone. Even the organisation's own foreign ministers have already found difficulty in following this fine distinction to the letter. Deciding when they should switch EC hats for EU ones in the Council of Ministers this week looked like

becoming the diplomatic equivalent of determining how many angels can dance on the head of a pin. Small wonder that they decided to rename themselves the Council of the European Union, regardless of whether they are discussing EC or EU business. In doing so, they (like Maastricht) papered over fundamental disagreements between governments concerning the nature of their enterprise. "Federalist" ministers could go away crowing that the cause of Union had been advanced by one glorious centimetre, even though the EU enjoys no "legal personality".

That still leaves the problem of what mere mortals are to make of it all. To listen to the British government sometimes, you would think it was still more appropriate to call the EC/EU the Common Market, when it has long since been something substantially more than that. The Euro-priests, on the other hand, invest the nomenclature itself with almost mystical powers, as if to think Union means that it is.

This newspaper has no easy answer to the conundrum, but in order not to sow daily confusion, we have to choose. As the opening words of the treaty state: "The high contracting parties establish among themselves a European Union, hereinafter called 'the Union'." The FT will take the union's heads of state at their word: European Union it is.

Rescue culture

ONE OF the consequences of monetary mismanagement in Britain is that the potential equivalent of Germany's Mittelstand - the powerful small to medium-sized business sector - is invariably throttled whenever the economy takes an excessive downward lurch. The process is made worse by insolvency procedures that often give senior creditors little incentive to keep troubled companies in business. While the 1986 Insolvency Act sought to bring more flexibility to the process through company voluntary arrangements and company administration orders, these have been underused in the recession. A new attempt by the government's Insolvency Service to explain this failure is thus welcome, and its proposed solutions appear well-judged.

Insolvency practitioners have long argued that the problem with company voluntary arrangements, which were designed to help the smaller companies that account for the great majority of insolvencies, is that a company has no protection from creditors once it has informed them of the need for negotiations. A breathing space is clearly needed and the Insolvency Service's report proposes a 28-day moratorium, binding on all creditors. This would take effect immediately a notice of a prospective voluntary arrangement had been filed and would be supervised by a nominee who would be a member of a regulated profession. The report goes on to recommend some changes in the rules for com-

pany administration orders, designed to remove some of the more forbidding obstacles to this form of attempted resuscitation.

More radical ideas come in the form of requests for comment rather than specific proposals. The difficulty of obtaining funding in the course of a corporate rescue is addressed, for example, with the suggestion that super-priority over other creditors might be granted to the financier who advances money in the course of a company voluntary arrangement. The report also hints that the balance between the interests of secured and unsecured creditors may not be right, by asking whether the rights of those who have a floating charge over a business should be removed, allowing them to appoint an administrator only.

This goes to the heart of the problem of creating a rescue culture in Britain, because it implicitly addresses the clash of interests between different classes of creditor for whom the survival of the company as a going concern is a matter of varying importance. If the banks are to forfeit some of their existing rights as senior creditors, they will no doubt extract a price. There are also limits to what flexible insolvency laws can do if the directors approach their creditors too late. But a tilt in the balance of power between secured and unsecured creditors may be an essential step towards saving more good businesses from bad financial structures. The Insolvency Service deserves a positive response.

Cocom's future

No system of export controls can guarantee to stop countries with the will to establish large and sophisticated arms industries from carrying out that aim. Restricting supplies of technology to countries which the international community wishes to prevent from producing atomic, bacteriological or chemical weapons can, however, act as a considerable disincentive to such activities. During post-war decades the 17-nation Coordinating Committee on Multilateral Export Controls (Cocom) controlled access to western technology to the former Soviet bloc as a means of hampering its military capability. Four years after the Berlin wall fell, Cocom's membership and objectives need radical redefinition. The US and its allies are due shortly to conclude talks on creating a successor.

During the 1980s, Cocom restrictions were frequently the focus of commercial and ideological differences between the US and Europe, in a post-cold war world, the flow of sensitive know-how and components has become still more difficult and controversial. However, a new proliferation is in the interest of international stability. There is no shortage of impediments. The east-west line which separated friend and foe has disappeared. Undermined by the weapons programmes of countries like Iraq, Pakistan, Libya or North Korea, the list of suppliers and potential users of military technologies has grown longer and more

diffuse. China - treated leniently by Cocom, and now a supplier of more sophisticated and deadly weaponry to the Third World - may prove impossible to bring into a new system.

For the west, however, the key aim of the new Cocom diplomacy is to persuade Russia and other ex-Soviet republics to participate in enforcing new arrangements. Otherwise, parts of their armaments capabilities will increasingly migrate to other still more unstable regions. The US hopes that relaxing remaining restrictions on exports to the former Soviet Union will persuade erstwhile Cocom poachers to become gamekeepers. But the west will need to provide former Soviet republics with more help to improve controls of porous borders.

The Cocom system has already undergone change. Contacts between governments on regulating exports with uses in nuclear and chemical weapons and ballistic missiles include links with both Russia and China. The new Cocom organisation can achieve better coordination by pinpointing which countries are deemed as threats in particular sectors. The technologies subject to embargo will need to be limited as tightly as possible to those with clear-cut applications as weapons of mass destruction. Export controls are an essentially defensive method of combating proliferation. They should not be used to impede the economies of countries of which the west disapproves.

Two months ago, the Cummins Engine company closed down an assembly line in its Mexican subsidiary. With output of the assembled truck engine one tenth of that in its US factory in Columbus, Indiana, Cummins Mexico could not compete against its US parent, and production was moved north.

Since Mexico tore down trade barriers in the mid-1980s, Cummins' subsidiary in Mexico has seen a trade balance in engines with the US turn into a trade deficit of four to one. The company now produces only one heavy engine in Mexico - even this might go when the country's remaining trade barriers are dismantled, says Mr Steve Knaebel, president of the Mexican subsidiary.

US critics of the North American Free Trade Agreement, to be voted on by the House of Representatives next Wednesday, say the treaty will encourage US companies to move to Mexico in search of cheap labour. But as the Cummins case shows, Mexico's low productivity makes large parts of its economy vulnerable to competition from the US.

"The US is already competing against countries which have much lower wages than Mexico, while many parts of Mexico's economy are still heavily protected," says Daniel Oksa, World Bank economist. "I am not convinced Mexico is well prepared for competition." He foresees bankruptcies and job losses in sectors that cannot hold their own with US rivals - capital goods, for instance - if Nafta passes.

This gloomy view has gained ground as Mexico's economy has stagnated. Gross domestic product grew by just 1.3 per cent in the first half this year, and 38 of the 49 manufacturing sectors tracked by the Inegi, the government statistics institute, were in recession. Even though the economy is sluggish, Mexico is set to run a worryingly high current account deficit of 8 per cent of GDP this year.

Some Mexican businessmen, who until recently have been almost unanimous in their support for Nafta, have begun to see the treaty's disadvantages. Lorenzo Servadei, a prominent businessman and the billionaire president of Rimbo, Mexico's bread maker, complained at a business conference in Cancun that Mexico's abrupt trade liberalisation "has not taken into consideration that restructuring must be a gradual process, and has failed to appreciate the limitations of our economic structure".

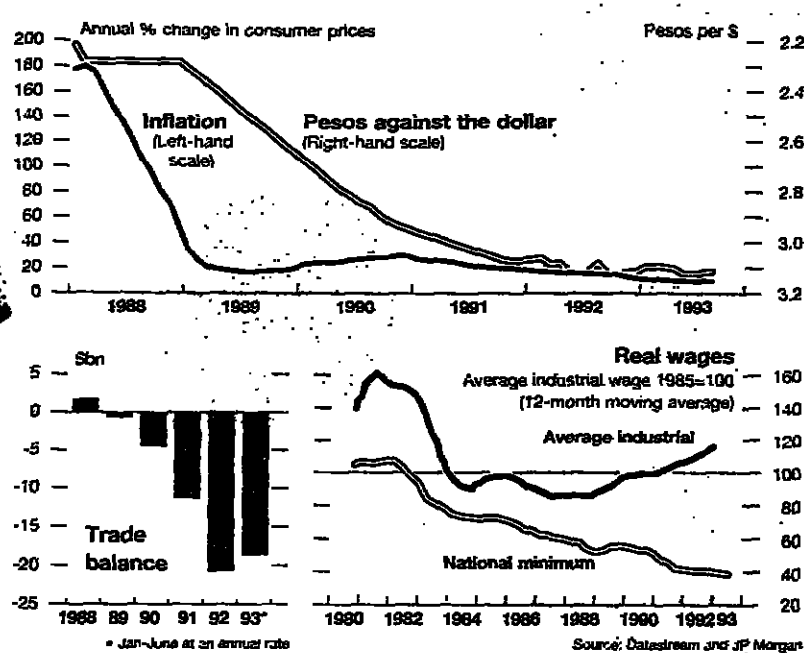
Under Nafta, Mexico would sacrifice its high protective tariffs, which average about 10.3 per cent, but which rise higher on some goods. The average US tariff on Mexican goods is just 4.5 per cent.

More significantly, Mexico would

Nafta will not solve the deep-seated structural problems facing the Mexican economy, says Damian Fraser

No such thing as a free treaty

Mexico: up against the dollar



open up to free trade and investment certain sectors that have been fully or partially protected from competition for decades - cars and car parts, banks, agriculture, and government procurement, among others. The US economy, bar a few minor exceptions, is open to Mexican imports and investment.

US critics of the treaty claim Mexico has one significant advantage: low wages. But wages are not as low as some argue, and in dollar terms have been growing faster than productivity. While Mexico's minimum wage is \$4.20 a day, only 16 per cent of workers earn this amount. Average pay plus benefits in manufacturing is \$4.50 an hour, according to government figures.

The World Bank has calculated that labour costs in Mexico are about a fifth of those in the US, but that productivity is about a quarter of the US level. Since last year, when the figures were calculated, Mexico's peso has appreciated in real terms. Mr Oksa of the World Bank says he doubts that there is any average cost advantage to

doing business in Mexico compared to the US.

The Mexican government under President Carlos Salinas has pushed strongly for Nafta in the belief that free trade and the new foreign investment drawn by the treaty will raise low productivity levels. New investment and greater efficiency is expected by many economists to be a product of the treaty.

"Nafta will reinforce reforms and boost foreign confidence in the Mexican economy. Mexico should continue to be able to attract \$20bn of foreign investment a year without problems," says Mr Jeffrey Schott, a fellow at the Institute for International Economics in Washington. "A defeat would lead to a cut in those flows."

Many foreign investors in Mexico's stock and money markets have been betting on Nafta. By noon yesterday, the market was up 4.2 per cent on the day, stimulated by renewed optimism over the treaty. But earlier signs that it might be rejected by the US Congress had sent the peso tumbling by

almost 4 per cent on Tuesday, thus threatening the government's policy of a strong exchange rate and price stability.

Even if Nafta does spur new investment, as many supporters predict, it is unlikely to be evenly spread. Some sectors - cars, parts of the textiles industry, fruit and vegetables, glass - whose productivity levels compare favourably with those in the US - are likely to prove attractive to foreign investors, but others - basic grains such as corn and wheat - are not because they are inefficient and unmodernised.

Mexico's biggest competitive disadvantage is the relatively small size of its industrial operations compared with those in the US. Like Cummins, many US companies built factories in Mexico to avoid high tariffs or other trade barriers. But with tariffs on the verge of falling further, some companies have found it makes more sense to export spare capacity from the US rather than to maintain costly plant south of the border.

For instance, General Motors

announced this year that it was going to move production of the Cavalier car in northern Mexico to Lansing, Michigan, where economies of scale have made costs lower. Quality Coils, a US company that makes electro-magnetic coils, decided in April to move its factory from Ciudad Juarez to Connecticut after it found Mexico's low wages did not offset lower productivity.

A further obstacle to Mexican productivity and thus its ability to capitalise on Nafta is its crumbling infrastructure, lack of qualified managers, and untrained workers. "It's not as simple as wages being one-fifth of those in the US - let's go to Mexico," says Mr Joseph Donahue, senior vice-president of the US subsidiary of Thomson, the French electronics company. "You have to ask, 'Can I buy the tools, where are the managers, what are transport costs, and other things?'"

Mr Donahue says it is hard to find a good manager in Mexico, and when you do, "he will have 10 job offers". Mr Knaebel, of Cummins, points to truck journeys that take 40-60 per cent longer in Mexico than in the US as a disincentive to foreign investors.

While Mexico is building new private toll roads, the cost of the tolls for many businesses is prohibitive. These and other impediments to business - notably high credit costs and an unreliable legal system - may explain why the country has had only limited success in attracting direct foreign investment since liberalising investment regulations in 1989. Since then, Mexico has received a total of \$33.1bn in new investment, but only about half of that has been direct investment in plant and machinery. Much of it has been in the service rather than the export sector.

President Salinas proposed Nafta in 1980 to draw foreign money into the country. If the treaty fails, his government will have little choice but to proceed with economic reforms in the faint hope that Mexico will draw the necessary investment from Europe and Japan. The government plans to apply for membership of the Organisation for Economic Co-operation and Development and is likely to approve a more liberal foreign investment law later this year.

Though the treaty may succeed in persuading US companies to invest in Mexico, competition will prove a nasty jolt for many industries. Deep-seated structural problems will remain, whether or not Nafta passes. Mr Jesus Reyes Heróles, an economist who heads the economic consultancy GEA, says: "If Nafta does not pass there will be a problem next year. If it does, the troubles start in 1995."

Big guns come to town

John Willman on England's relaunched urban renewal agency

however, by the appointment of Lord Walker, the former cabinet minister, as chairman of the new agency. As secretary of state for Wales between 1987 and 1990, he had converted his job into a high-profile, one-man inward investment agency. Appointed by Mr Heseltine, Lord Walker looked increasingly uncomfortable in the more constrained role envisaged for him by his new political masters.

Yesterday's launch showed that it is the vision of Lord Walker and Mr Heseltine that has prevailed. English Partnerships will be more of a development agency than a body devoted to clearing contaminated inner-city sites.

Even the choice of title - dropping the "urban" and assuming responsibility for the whole of England - indicates that the balance of argument has swung back to those who see a far-reaching role for the new organisation.

Lord Walker is clear that he is as much interested in winning inward investment as in clearing derelict land. "Inward investment has trans-

formed the British economy in some sectors," he told the FT in an interview yesterday. "My view is that in the next five years, there is going to be the biggest flow of inward investment into Europe ever seen, and this agency can make a contribution to ensuring that a share of that comes to the UK."

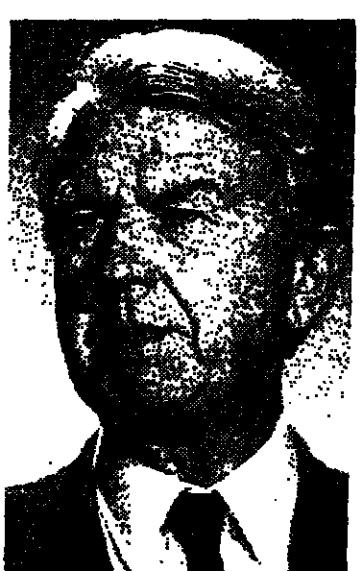
Lord Walker also makes clear his desire to work closely with local authorities of all political complexions, after a period in which much Whitehall spending has been directed through local quangos to bypass councils. "Local authority co-operation is very important to us, and we will want to have a good relationship with them. That will make it easier to get things done quickly and more effectively."

Ministers were unwilling at yesterday's launch of English Partnerships to disclose its funding for next year. With the urban programme already cut from £1.7bn this year to £1.4bn next year, there is keen interest in knowing whether the new quango will start under straitened circumstances.

Lord Walker is less coy, saying that he expects the total - to be announced in the unified Budget at the end of the month - to be between £250m and £300m. If that is so, English Partnerships will have much the same to spend next year as this.

And Lord Walker says that he is quite content with what he has so far been offered. "It is plenty for year one. I will be able to assess what the need is and then go to the government and say what I think is a sensible figure for the next three years. There will be arguments over the amount of money, but I will be able to say that it will produce this level of economic activity and that it is in the Treasury's interest to put that amount of money in."

A strong card in Lord Walker's hand in such negotiations will be the amount of private investment English Partnerships succeeds in leveraging in, or attracting, with its budget. "Some projects involving the clearance of land will produce no such additional investment," he says. "But in others, I expect public



Walker: his vision has prevailed

investment to lever in up to nine times as much private investment." None of this will happen quickly - and Lord Walker is anxious that English Partnerships' success is not judged too soon. "There will be no impact on regeneration next week or the week after," he says. "But I expect to see a real impact after three or four years."

Lawrence's stock in trade

■ Perhaps it is just a coincidence, but Michael Lawrence, the new chief executive of the London Stock Exchange, has followed the same sort of career path as his luckless predecessor, Peter Rawlings.

Both have spent the bulk of their careers in big accountancy firms and tested their business skills in the insurance industry. Rawlings, ex-Arthur Andersen, came from insurance broking and Lawrence, ex-Price Waterhouse, was hired by the Prudential as its first finance director as recently as 1988.

However, there the similarities end. Lawrence is a good deal older, and hopefully wiser, than the abrasive Rawlings and has first-hand knowledge of the problems of the stock exchange's customers. He was an outspoken critic of the stock exchange's Taurus settlement fiasco. His connections as chairman of the 100 group of top finance directors also mean that he will be listened to at boardrooms that matter.

That said, it is unusual for an accountant cum insurance man to take such a risk with his career. After all, there could be very little left of the stock exchange in three years, whereas if he stayed at the Pru he might have been in the running to succeed Mick Newmarch as group chief executive.

Perhaps he decided that the Pru

would never appoint two non-actuaries in a row to the top job there.

Lingua obscura

■ Hard to believe that Unigate's chief executive, Ross Buckland, hails from Australia, supposedly the home of blunt, no-nonsense sorts. Talking about his company's half-year results yesterday, he admitted that one activity had "negatively impacted profitability". Did this mean that it had made a loss, he was asked. "Yes," said Buckland, adding that he thought he "had worded it rather well..."

Jones keeps up

■ Why has the London Stock Exchange swallowed its reservations about the dangers of fragmentation, and allowed London's established derivatives exchange Liffe and the Swedish-owned tiddler OMLX to have a go at trading derivatives based on the FT-SE Mid 250 equity index?

Both exchanges had wanted an exclusive licence, and it had been more or less assumed that Liffe would win it. But a degree of mutual suspicion appears to persist between the stock exchange, on the one hand, and Liffe, which now trades the equity derivatives that the exchange itself failed to get off the ground, on the other. Surely



"If you don't feel able to talk to a woman, you can talk to me" Throgmorton Street is not trying to spoil Liffe's fun? OMLX boss Lynton Jones, himself an old stock exchange hand, is more interested in what potential customers will think. "The question is whether they are Pro-Liffe or Pro-Choice," he quips.

Battle-ready

■ The search is on for a new general secretary of the Society for Practitioners of Insolvency following the abrupt resignation of the incumbent after only nine months in the job. Indeed, Edward Lowndes has already left - not just

the organisation but also the country, partly, it would seem, because he was fed up with the bitter rivalry between the society, which has become the public face of insolvency practitioners, and the rival Institute of Practitioners of Insolvency, which licenses them. Clearly he prefers a more peaceful life. He has taken up a job as administrator to the United Nations peacekeeping forces in Sarajevo.

Currency juggling

■ Talent spotters at this Saturday's Lord Mayor's show in London might want to keep an eye open for exhibit number 20 - the Bank of England's horse-drawn float. The Bank, which does not normally participate in such frivolous events, is making an exception to mark its 300th birthday next year. Observer hears that the Bank's contribution to the festivities include dozens of staff who have been specially trained to juggle brightly coloured currency symbols. Would be much more fun if they were throwing away old £5 notes.

Main chance

■ China's public relations record in its future colony may be less than perfect, but Beijing's *de facto* embassy in Hong Kong, the Xinhua news agency, seems to think it can sell its services commercially. For Xinhua is taking time off

from flinging verbal mud at governor Chris Patten to set up a subsidiary PR agency, Fortune China. Subtlety having not exactly been its strongest suit, the agency at least forgoes from selling itself on the basis of its expertise. But a spokesman claims that "good credibility and connections (will) attract a swarm of overseas companies eager to exploit the huge mainland market". Perhaps Patten should reveal his grasp of capitalism Hong Kong-style and follow suit. With his new-found expertise in crisis management he would definitely have services to sell, though his connections may have a more limited lifespan.

The No's have it

■ Full marks for trying. Retired bus driver Ken Clark, 79, has just conducted a telephone survey of fellow pensioners in Lewisham and found that 10 out of the 10 Ken Clarklets he contacted are against the government's plans to impose VAT on domestic fuel. Lucky for Ken that Norman Lamont is no longer Britain's chancellor of the exchequer. As it is, he had to fiddle his figures a bit by counting all the Clarks, whether or not their surname was spelled the same way as the current chancellor. But then even this government fiddles its figures from time to time.

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FINANCIAL TIMES

Thursday November 11 1993

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Serbian president shrugs off effects of 2,000 per cent monthly inflation Milosevic puts gloss on grim news

By Laura Silber in Belgrade

"BUT who else?" is the brazen electoral slogan for the ruling Socialist of Serbian president Slobodan Milosevic, as 2,000 per cent a month inflation plunges Serbia into poverty.

Mr Milosevic last week boasted how "the Serbian economy, in spite of the draconian embargo, is faring even better than countries which receive economic aid".

But even Mr Milosevic's optimistic remarks can no longer mask the impoverishment of the country's 9.8m inhabitants.

While the Serbian president blames United Nations sanctions for economic collapse, the country's coffers have been emptied to pay for Serb armies in Bosnia and Croatia.

The monthly average wage has fallen below DM10 - which buys

one kilo of meat. Serb officials claim that 70 per cent of economic activity is in the grey market, eluding tax collectors. Faced with a huge budget deficit, the cash-hungry government has flooded the market with dinars in order to boost hard currency reserves.

In the most recent effort to lure people into converting their dwindling hard currency savings, the government 10 days ago lifted a three-month ban on converting hard currency through giro accounts - at a premium rate of up to twice the black market rate. On Tuesday, however, the government devalued the dinar by 98.5 per cent and made giro payments illegal.

In the crucial run-up to parliamentary elections, set for December 19, the Socialists are keen to put a gloss on the grim economic picture.

They need to increase pensions and wages, decimated by inflation, and return basic staples to grocery store shelves.

Belgrade is also paying more than 1m workers sacked when their factories shut because of the break-up of the Yugoslav market and the sanctions.

The powerful state television will persuade Serbian citizens that there is no alternative to the Socialist party: a pitch borne out by the failure of the quarrelsome and disorganised opposition to pose a coherent challenge.

The ultranationalist leader, Mr Vojislav Seselj, his lone political challenger, is being systematically discredited. A paramilitary commander who last year was accused of war crimes by the US, he achieved widespread popularity as the leader of the second biggest political party.

At that point, his meteoric rise

to power was aided by both the state television and by Serbia's secret police. But after the collapse last month of his unofficial alliance with Mr Milosevic, Mr Seselj became the target of a smear campaign orchestrated by the state-controlled media and the secret police.

At the same time, the same forces are creating a new satellite, the Serbian Unity party of Mr Zeljko Raznatovic, alias Arkan, a renowned boss of Belgrade's mafia, in order to capture the extremist vote for Mr Milosevic.

Photographs of Arkan, sought by police in several western European countries and commander of a paramilitary unit accused of brutal crimes in Bosnia, are plastered on the streets of Belgrade. They are not wanted posters, but advertisements for his election campaign.

Lamfalussy urges credible, sustainable policies to influence currency markets Euro-bank chief steps softly, softly

By Andrew Hill in Brussels

THE MAN who will be keeping an eye on the next phase of European economic and monetary union yesterday got his first look at the people who will be keeping an eye on him.

Mr Alexandre Lamfalussy, the Belgian president-elect of the European Monetary Institute, the forerunner of a European central bank, was quizzed by members of the European parliament, revealing in their new powers to vet important institutional appointments in the European Union.

But while the deputies blustered through the three-hour session, Mr Lamfalussy remained unruffled, like a grey-suited

Mahatma Gandhi, softly preaching a policy of passive resistance to currency speculators and imprudent finance ministers.

Mr Lamfalussy, who will launch the Frankfurt-based EMI in January, recounted weapons such as capital controls and central bank intervention. "I think the only way to influence the market is [with] the credibility and sustainability of policies," he told the MEPs. "Credibility leads to [exchange rate] stability."

Were current government economic policies credible? Mr Lamfalussy refused to be drawn, but he noted some positive effects on the European recession: "Whether government policies were deliberately wise or

whether they were just lucky I don't know, but the result isn't too bad."

It was too soon to consider reforms to the discredited European exchange rate mechanism, following recent currency crises, he said. As a result, Mr Lamfalussy said it was "improbable" that the European Union would meet the Maastricht treaty's target of Ecu by 1997. Instead, a few of the strongest EU economies would probably press on with monetary union in "jumps", rather than pursuing an unworkable "gradualist" approach.

Mr Lamfalussy told MEPs the EMI would have a staff of some 200 people. They would help him act as an impartial "honest broker" between independent central banks. But certain MEPs seemed unconvinced that Mr Lamfalussy, a Belgian baron and distinguished central banker, would have a real influence over street-fighting national finance ministers.

Given that the EMI is charged only with monitoring and advising on monetary co-ordination, would Mr Lamfalussy's appointment really change anything? The central bankers' central banker smiled inscrutably. "I'm not representing any of the central banks, nor indeed any of the countries, and that will make quite a substantial difference," he said. The MEPs approved his candidacy unanimously.

US agrees next stage of Concorde project

By Paul Betts, Aerospace Correspondent, in Dubai

THE US has given the go-ahead to the next stage of the programme to build a supersonic airliner to replace the ageing Anglo-French Concorde.

The National Aeronautics and Space Administration will start work next year on the second phase to develop the airframe, propulsion and systems technologies over seven years at an expected cost of \$1.2bn, Mr Lewis Williams, NASA's director of high speed research, said yesterday at the Dubai Air Show.

The aircraft, planned to enter service early in the next century, will have twice Concorde's 3,000 nautical mile range, carry 300 passengers - three times Concorde's capacity - and operate at close to standard subsonic air fares.

Nasa began research in 1990, evaluating environmental considerations, including atmospheric effects, nitrogen oxide engine emissions, noise and sonic boom. That first phase, costing about \$400m, has shown the aircraft to be "environmentally compatible", said Mr Williams.

"We had to ensure that the

environmental issues could be resolved before embarking on the second stage of research," he added.

Although other government agencies, aircraft manufacturers and engine-makers elsewhere are collaborating on the supersonic aircraft study, the US appears to be taking a far more active role in research. Nasa's annual high-speed research budget has just been increased from \$177m this year to \$197m in 1994, although the agency had asked for \$187m for next year.

The US is keen to catch up with the European aerospace

industry's expertise and experience in supersonic airliner development through Concorde. However, any future aircraft is expected to involve broad international co-operation because it is widely accepted that the market will bear only one programme.

Mr Williams argued that a 300-seat supersonic aircraft offering passengers fares similar or slightly higher than for subsonic travel would compete effectively against the new 600-seat subsonic super jumbo conventional airliners which the aerospace industry is now studying.

Speed-up of HK talks sought

Continued from Page 1

ish officials see the next round of talks beginning November 19 as a key test of Beijing's willingness to reach an agreement.

Mr Hurd said Mr Christopher Hunt, the senior foreign office official responsible for the Far East, will lead the British side in

the next round. He will stand in for Sir Robin McLaren, the ambassador in Beijing, who had an operation this week on his back and will be out of action for some weeks, officials said.

Britain wants to double the frequency of the talks to a round per week. Mr Patten said room for manoeuvre was very limited.

EC steel plans in deadlock

Continued from Page 1

fortnight ago. "We went as far as we could to persuade the Italian authorities that this was the end of it as far as the Commission was concerned."

But Mr Van Miert sounded more optimistic about the possibility of altering the Treuhand

privatisation agency's plan to sell off 60 per cent of the east German steelmaker, E.ON Stahl. He and Mr Martin Bangemann, the industry commissioner, last night met Mr Günter Rexrodt, German economics minister. Mr Rexrodt said he would try to find some more capacity cuts before next week's ministerial meeting.

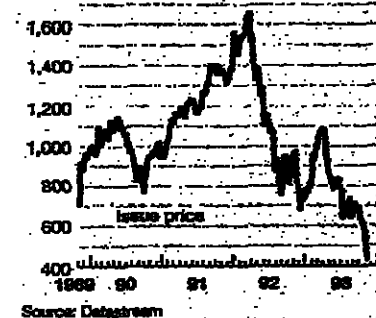
THE LEX COLUMN

Disney's big dipper

FT-SE index: 3098.5 (+2.5)

Euro Disney

Share price (pence)



Source: Datastream

The real world keeps intruding on Euro Disney's fantasy. Yesterday's decision to change its accounting policies is a clear indication that the decks are being cleared for a fresh injection of equity. By charging start-up costs directly to the profit and loss instead of capitalising them on the balance sheet, the company is saving future depreciation. The returns to any future investors will thus look greater, even if the immediate result has been to decimate the balance sheet. Under US accounting standards, net assets per share work out at little more than FF2. Shame on those who fought for the mandate to sell the paper to investors at 70p in 1989.

Euro Disney's new management is applying itself with noble persistence to the task of boosting the project's revenues. But it faces two daunting obstacles. The first is that by cutting prices and adding facilities it is diluting the operational gearing that comes into play with increased attendance. The second is that the project can never generate enough cash to service its FF21bn debt. Even with the help of eventual economic recovery and a weaker French franc, it is hard to see Euro Disney supporting more than half that amount.

The equity injection will thus need to be at least FF10bn to FF11bn, which puts Walt Disney on the spot. Without its support the project may simply close, causing irreparable damage to the Disney name. But the amount is large for it to shoulder on its own. One solution might be to seek a trade partner who might find use for the excessively lavish hotels, perhaps by adding conference facilities. In the absence of a second park, the surplus hotel capacity is certainly a heavy drag. A more scary thought is that, having squandered the proceeds of its flotation, a restructured Euro Disney might come back to the market for more. That, as they say, is show business.

National Power

It is strange that the stock market should take the downturn message from National Power so seriously. The sharp fall in market share in the first half was partly due to the company's tardiness in building new gas-fired plants. The decline will be much less pronounced from here on. Since the regulator is deciding whether to refer the generating monopoly to the Monopolies and Mergers Commission, National Power has an incentive to err

Unigate

Unigate continues to make useful progress rationalising its logistical collection of businesses. Though fettered by the release of provisions and a gain from a pension realisation, Unigate's rise in headline profits represents an encouraging performance in tough conditions. Buying dairies on the cheap and squeezing extra volumes out of reduced capacity is proving an effective strategy to combat margin

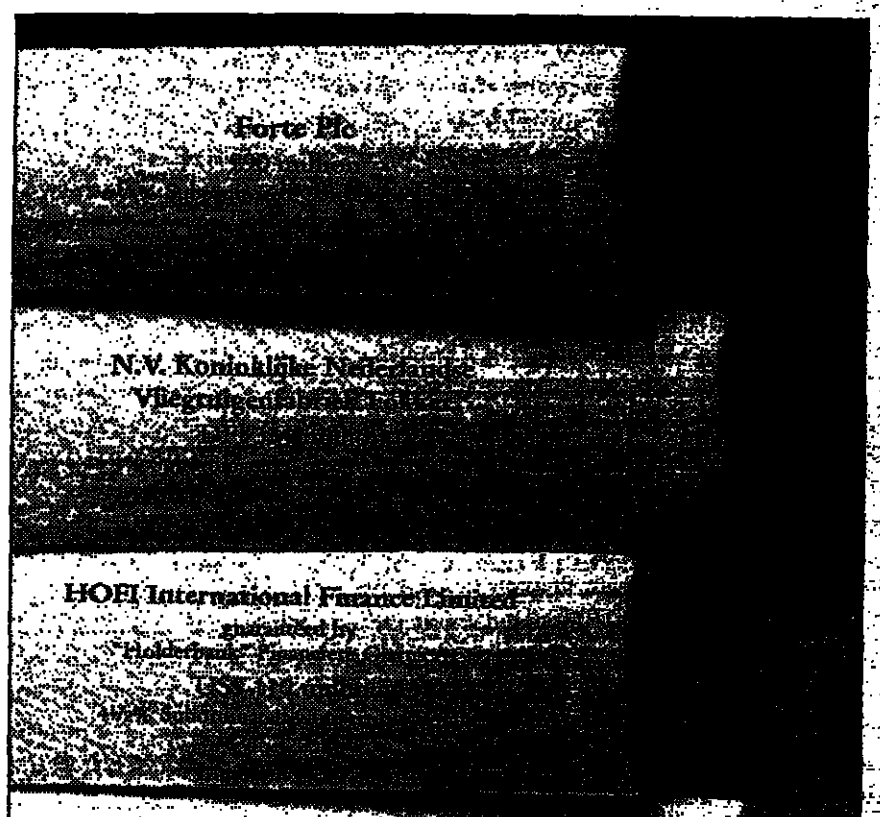
pressures - in the short term at least. Unigate's shares will continue to be underpinned by their 8.5 per cent yield. But the company's 40 per cent outperformance of Northern Foods this year is beginning to look a little excessive. Northern has attractive investment avenues in which to divert the funds milked from its dairy cash cow. Unigate still lacks a viable recipe for sustainable earnings growth. With the grocery chains soon likely to apply the squeeze to commodity producers, the market appears to be coming full-circle in believing branded goods manufacturers are best placed to resist their fatal embrace. But that will hardly be to Unigate's benefit. The success of Miller in grabbing so big a share of UK yoghurt sales illustrates how vulnerable Unigate remains on that score.

News Corporation

Mr Rupert Murdoch has barely got a foot wrong recently, as his latest burst of deal-making and the 40-fold increase in News Corporation's shares since 1981 testify. But he tried to do something nasty yesterday as News reported a 5 per cent fall in first-quarter operating profits and the counter-very resurfaced over its plans for a new class of super voting shares with a discussion paper from the Australian stock exchange. News's book publishing profits were weaker and problems grew at its free-standing laser division. But the real hit came from its price-cutting campaign in the UK, where newspaper profits slid 15 per cent. Thanks to his non-executive directorship at Philip Morris, Mr Murdoch has had a ring-side seat watching similar pricing assaults in the US. But Murdoch's assault has led to a fearful branding and US cigarette prices now appear to be edging up again. The newspaper grows that any imposition of VAT on newspapers would cloak restorative price rises on its UK titles.

The Australian stock exchange is trading gingerly over News's share proposals. It may worry that if it blocks the scheme, its second most heavily traded stock will switch its listing to the US. But that is no reason to concede a point of principle. Besides, News can hardly count on an ecstatic reception in New York. Caters has been among the most vociferous critics of the share proposal. Moreover, there was heavy selling of News's ADRs after disappointing price rises on its UK titles.

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Given UBS's record in the market, it is easy to take successful issues for blue-chip European corporates like these for granted. But the fact is that all of these issues required a combination of many strengths: in understanding the company and its attractiveness to the market, in judging the strength of domestic and international demand, in committing capital when the timing is right (two of the three were bought deals) and, of course, in distribution. And, perhaps, one more strength which you can take for granted from UBS - a commitment to continuing support, after the issue, with liquidity in the aftermarket. In large European transactions, UBS has the proven skills to ensure a successful outcome.



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EUROPE TODAY

A depression south of Norway will cause rain over southern Scandinavia, Germany, the Alps, northern Italy and south-eastern France. Showers developing in cold air over the Atlantic will move into Ireland and Scotland. Sunny periods will occur in England and Wales as well as France and northern Spain. A few local showers, some with hail, will develop over the Low Countries. The Mediterranean will be mainly sunny. A strong high pressure centre over Russia will bring cold air into the northern Balkan states and Poland where temperatures will remain below freezing. Snow showers will develop along the west coast of the Black Sea. Bulgaria and the former Yugoslavia will have overcast skies and rain.

Five-day forecast

A series of Atlantic depressions will produce heavy rain in north-west Europe, particularly over the weekend. Spain and Portugal will be calm and mainly sunny owing to a ridge of high pressure. A small but active low will cause heavy showers over south-eastern Europe this weekend. Temperatures will continue to be below freezing over extreme eastern Europe.

TODAY'S TEMPERATURES

Location	Maximum	Minimum	Weather
Abu Dhabi	31	21	sun
Accra	32	24	sun
Algiers	24	15	sun
Amsterdam	8	5	sun
Athens	15	8	sun
B. Aires	30	20	sun
B. Ham	17	10	sun
Bangkok	35	25	sun
Barcelona	17	11	sun
Beijing	11	7	sun
Belfast	8	5	sun
Belgrade	8	5	sun
Berlin	8	5	sun
Birm. Bay	27	18	sun
Bogota	18	10	sun
Bombay	27	18	sun
Brussels	15	8	sun
Buenos Aires	30	20	sun
Budapest	17	10	sun
Cairo	25	15	sun
Ch. Hagen	17	10	sun
Cape Town	17	11	sun
Cebu	30	20	sun
Cardiff	7	4	sun
Chengdu	13	8	sun
Cologne	13	8	sun
D. Salom	30	20	sun
Dakar	27	18	sun
Dallas	27	18	sun
Delhi	32	22	sun
Dubai	31	21	sun
Dublin	7	4	sun
Dubrovnik	15	8	sun
Edinburgh	7	4	sun
Faro	21	14	sun
Frankfurt	13	8	sun
Glasgow	10	7	sun
Hamburg	10	7	sun
Helsinki	10	7	sun
Hong Kong	29	19	sun
Honolulu	27	17	sun
Istanbul	21	14	sun
Jersey	11	8	sun
Karachi	28	18	sun
Kuwait	31	21	sun
L. Angeles	23	13	sun
Las Palmas	23	13	sun
Lima	21	11	sun
Lisbon	18	10	sun
London	10	7	sun
Luxembourg	10	7	sun
Lyon	10	7	sun
Madeira	10	7	sun
Madrid	10	7	sun
Manila	28	18	sun
Moscow	10	7	sun
Mumbai	28	18	sun
Nairobi	28	18	sun
Naples	17	10	sun
Nassau	29	19	sun
New York	13	8	sun
Nice	17	10	sun
Nicosia	17	10	sun
Oso	17	10	sun
Pairs	17	10	sun
Perth	17	10	sun
Prague	17	10	sun
Rangoon	31	21	sun
Reykjavik	10	7	sun
Rio	21	14	sun
Riyadh	32	22	sun
Rome	19	12	sun
S. Francisco	15	8	sun
Seoul	21	14	sun
Singapore	28	18	sun
Stockholm	12	7	sun
Strasbourg	12	7	sun
Sydney	23	13	sun
Taipei	25	15	sun
Tangier	17	10	sun
Tel Aviv	25	15	sun
Tokyo	17	10	sun
Toronto	29	19	sun
Tunis	13	8	sun
Vancouver	17	10	sun
Vernice	12	7	sun
Vienna	17	10	sun
Warsaw	17	10	sun
Washington	26	16	sun
Wellington	14	8	sun
Winnipeg	14	8	sun
Zurich	14	8	sun

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FINANCIAL TIMES COMPANIES & MARKETS

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INSIDE

Hoechst may cut payout after 40% fall

Hoechst, one of Germany's big-three chemicals groups, may cut its dividend after a 40 per cent drop in earnings to DM549m (\$545m) in the first nine months. Page 16; World stock markets, Back Page

Procordia up 42% to SKr1.5bn

Procordia, the Swedish pharmaceuticals and consumer products group, has announced a SKr1.47bn (\$179m) pre-tax profit for the three months ended September, up 42 per cent from 1992. Page 16

Steady earnings at Siemens

Siemens raised net earnings 1 per cent to DM1.98bn (\$1.2bn) in the year to the end of September, and will pay an unchanged dividend of DM13. Page 16

US retailers take charges

Woolworth and Federated Department Stores, two leading US retailers, said their third-quarter performances had suffered as a result of special charges against earnings. Page 17

Novell in PC agreement

Novell, the US software company, and Zenith Data Systems, the personal computer subsidiary of Groupe Bull of France, have reached an agreement which should give Novell a toehold in the market for personal computer operating software. Page 17

Japan maintains drug earnings

Japan's main drug companies sustained earnings for the first half to September because of firm sales of drugs with wide profit margins and aggressive cost-cutting. Page 18

Head-to-head for futures volume

The London International Financial Futures & Options Exchange (LIFFE) and OMLX, the London Securities and Derivatives Exchange, will compete head-to-head for volume on futures and options on the FT-SE Mid 250 Index. Page 19

Agency rebound lifts Hambros

Hambros, the merchant bank and financial services group, raised interim pre-tax profits 53 per cent to £41.1m (\$60.4m), after Hambro Countrywide, its estate agency chain, returned to profit. Page 20

Death brings life in Colombo

Sri Lanka equities showed an impressive rise over the last week. The market's rally began in May, around the time of the assassination of the president, Mr Ranasinghe Premadasa. Since then, as measured by the IFC, the market has gained nearly 60 per cent in dollar terms over the year to date. Source: Datastream

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Chief price changes yesterday

FRANKFURT (DM)	PARIS (FFr)	STOCKHOLM (SKr)
Alcoa	543	543
Baker Kraft	570	570
BOE	820	820
Calumet (FR)	1051	1051
Leffert	123	123
Pharm	525	525
Pharm	488	488
Pharm	844	844
Pharm	330	330
Pharm	750	750

New York prices at 12.30pm

LONDON (Pence)	BURSA (Pence)	STOCKHOLM (SKr)
Alcoa	244	244
Alcoa	244	244
Alcoa	244	244
Alcoa	244	244
Alcoa	244	244
Alcoa	244	244
Alcoa	244	244
Alcoa	244	244
Alcoa	244	244
Alcoa	244	244

VW halts slide in third quarter

By Christopher Parkes in Frankfurt

GROUP NET profits of DM70m (\$43.2m) in the third quarter helped Volkswagen whittle down losses for the first nine months of the year to DM1.53bn, the troubled German-based motor group announced yesterday.

Earnings of DM177m at the parent company in the three months to end-September reduced the deficit there to DM76m, against DM946m at the half-way mark and a profit of DM229 in the com-

parable part of 1992, when group earnings were DM549m. Although the improvement had long been signalled through informal monthly reports from Mr Ferdinand Piech, chairman, the news was well received on the Frankfurt stock exchange.

VW shares rose sharply in early trading, leading a short-lived surge in the DAX index of leading stocks, and slipped later to close DM3.30 higher at DM395. A suggestion from a member of the supervisory board that the group should

pay no dividend - DM2 last year - came after the market closed. In a letter to shareholders, the company attributed most of the group loss to difficulties in the Spanish market, and "the high investment costs and advance payments for new models" which had led to "profit problems" at Seat, its Spanish subsidiary.

The letter gave no further details, although VW had earlier forecast a DM1.25bn deficit at Seat for the full year. Executives at Audi, the quality car subsidiary, last week forecast heavy

losses for 1993 after a half-year deficit of almost DM200m. The deterioration in the west European car market had continued unchanged in the third quarter, the letter said, and no improvement could be expected in the coming months.

Group production worldwide had fallen 16.3 per cent in the first nine months to 2.195m vehicles; deliveries to dealers were down 15.4 per cent at 2.162m and deliveries to customers were 12.5 per cent lower at 2.33m. Turnover was 11.4 per cent lower

at DM56.4bn. Only Skoda, the Czech brand, managed to increase unit sales, showing a 13 per cent improvement to 158,000. Volkswagen marque deliveries were 11 per cent lower, Audi slumped 26 per cent while Seat slid 16.5 per cent.

The group maintained its leading market share in western Europe despite a slip from 17.5 per cent a year earlier to 16.4 per cent. Its share of the German market, where sales slid 22 per cent, declined 0.7 percentage points to 28.5 per cent.

SAS fall into red underlines urgency of Alcazar

By Christopher Brown-Humes in Stockholm

SCANDINAVIAN Airlines System (SAS) has plunged into a SKr1.75bn (\$216m) loss after financial items for the first nine months, sharply reversing the SKr32m profit it made in the same 1992 period.

The deterioration underlines the urgency of the group's efforts to merge with three other European airlines - KLM Royal Dutch, Swissair and Austrian Airlines - in the so-called Alcazar project.

It has also led the airline to promise "an intensive result improvement programme" to help it get back into profit. The measures being considered include job losses, route closures, and the sale and leaseback of aircraft.

SAS blamed its deficit on the weakening of the Swedish krona, which produced unrealised exchange losses of SKr1.15bn. A 2 per cent drop in passenger yields and losses on hotel and leisure operations aggravated its position.

Operating revenues slumped 15 per cent to SKr29.2bn, but this was outstripped by a 21 per cent rise in expenses to SKr27.4bn. The airline admits it has fallen behind schedule on a targeted 8 per cent cut in costs this year, and is promising to beef up the efficiency drive in 1994.

Pre-tax losses were held to SKr1.13bn after a SKr900m gain from the sale of part of SAS Service Partner, the airline's catering unit.

The airline benefited from a 2 per cent increase in passengers to 14.1m, while traffic in revenue passenger kilometres was up 7 per cent from last year.

The most difficult market has been Sweden, where deregulation has brought a 14 per cent decline in traffic.

Compensating for this was favourable growth on European, intercontinental and domestic Norwegian routes.

SAS expects its full-year figures to show a slight improvement over the nine-month results, helped by a stronger Swedish krona.

Mr Jan Carlzon, the former SAS president who stepped down in September to devote all his efforts to the Alcazar project, has warned that the project will collapse if the European carriers cannot agree on the choice of a US partner before the end of this month.

His remarks were quoted in the Swedish daily Svenska Dagbladet, which said SAS was planning to cut 3,000 out of 39,000 jobs.

John Ridding examines the scale of Euro Disney's financial crisis

White-knuckle ride for fantasyland investors

Investors in Euro Disney have stomachached a stream of bad news since the theme park opened its doors on the eastern outskirts of Paris last year. But the scale of losses and write-offs announced yesterday shocked even the most hardened of them.

Exceptional charges of FF3.63bn (\$619m) which sent losses to FF6.3bn for the year to September 30, knocked a large chunk off the company's capital. The net asset value per share now stands at less than FF10 compared with yesterday's closing price of FF38, down 13 per cent on the day.

The depressing figures mean that without a financial restructuring, and soon, there is a question mark over the company's survival.

For the moment, Walt Disney, the US entertainment giant which holds 49 per cent of Euro Disney, seems prepared to step into the breach. "Walt Disney has agreed to help fund Euro Disney for a limited period to afford it time to attempt its capital restructuring by spring 1994," the European company said yesterday.

The American group simultaneously announced that it was taking a \$350m charge against fourth-quarter earnings to cover both the winter funding commitment and receivables due from the European business.

Walt Disney is a reluctant saviour. From the beginning it has sought to distance its investors from the risks at Euro Disney, supplying less than FF1bn of the group's original equity capital. Industry analysts, believe, however, that the US group will provide support for Euro Disney, fearing the effect that failure could have on its reputation.

"They have to look after their own investors," says Mr Nigel Reed, leisure analyst at Paribas Capital Markets in London. "But they cannot afford to let a company with the Disney brand name go under."

The depth of the problems revealed by yesterday's figures means it is crunch time for Walt Disney. "They pretty much have to help and it seems they are now prepared to," says one banker close to the company.

Walt Disney's provision of winter funding buys time for Euro Disney, and the large-scale write-offs should reduce depreciation charges, improving future profits. But a capital restructuring remains problematic.

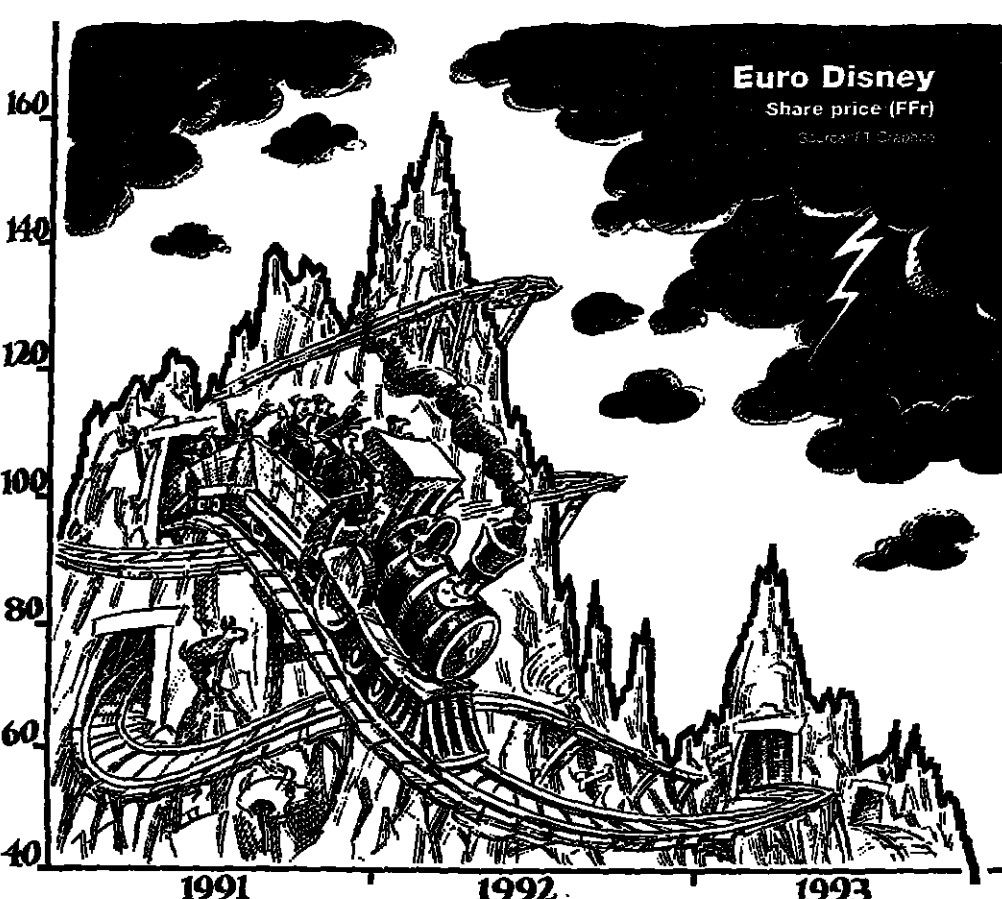
The central dilemma is that the most likely means of restructuring remains a share issue, probably a rights issue. But the weakness of the share price complicates such a solution. "It would have to be a very big issue to raise the sort of money that Euro Disney needs," said one merchant banker in Paris.

As a result, a restructuring package is expected to include other measures, such as a renegotiation of the terms of the company's FF3.6bn debt with its bankers. They are also being asked to consider swapping loans into equity.

Book publishing overall contributed A\$75.9m, compared with A\$82m.

The release of the results coincided with publication of the Australian Stock Exchange's discussion paper on Mr Murdoch's controversial plan to create a new class of shares with "super" voting rights, which would be issued on a pro rata basis to existing shareholders.

The plan - seen as a means of



One further solution involves the injection of fresh capital from a new partner. The group's financial problems, however, suggest it will be hard to find ready investors. The task is made all the more difficult by depressed trading conditions. "Europe-wide recession, high interest rates and mounting unemployment have all served to reduce disposable incomes," Mr Philippe Bourguignon, Euro Disney's chairman, said yesterday. "Inevitably tourism has been hit very hard."

For Euro Disney the problems have been compounded by the effects of the strong franc, which has reduced visits from the UK and Italy in particular. At the end of last month, BA Holidays, the package tour subsidiary of British Airways, announced it was abandoning sales of holidays to the struggling theme park.

The depressed state of the French property market has prevented the company from realising anticipated revenues from property development. "Euro Disney is in a vicious circle of high interest-rate costs and disappointing revenues," says Mr Reed at Paribas. "The company is in serious trouble."

Mr Bourguignon is responding with a cost-cutting programme. Last month, the company announced it would shed 550 of its 11,100 staff. It has also frozen plans to extend the French theme

parks, although Mr Bourguignon has reiterated that the second phase of EuroDisneyland remains a central part of the strategy.

The belated decision to write off its pre-opening costs should improve the prospects for profitability in the future.

Mr Bourguignon has also taken encouragement from the sharp rise in French visitors to EuroD-

isneyland. In the past two months, they accounted for about 45 per cent of the total.

But the bright spots at EuroDisneyland remain few and far between. They will mean little if Mr Bourguignon fails to pull off his restructuring.

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Diabetes drug raises US group's prospects

By Paul Abrahams in London

A DRUG produced by Bristol-Myers Squibb, one of the world's biggest drug companies, was found to reduce deaths from diabetes by 50 per cent.

The study by the New England Journal of Medicine has important implications for diabetes, the company and health authorities anxious to keep down costs. The drug, Capoten, should increasingly be used to halt progression of the diabetes, reducing the need for expensive kidney dialysis and transplantation.

The results are significant for Bristol-Myers Squibb because they will help the New Jersey-based group generate additional revenues from its top-selling product with sales last year of more than \$1.6bn.

Capoten's US and German patents ran out in other markets in 1997.

Analysts warned the trial, the largest of its kind, confirmed what had already been suspected. Mr Viren Mehta, analyst at New York brokers Mehta & Isaly, said: "I'm not sure there will be a dramatic increase in Capoten's sales. Many doctors are already using the medicine and other drugs in its class of ace-inhibitors to treat diabetes. But the ace-inhibitors will clearly become the drug of choice."

There are about 15m diabetes sufferers in the US, and 1m in the UK. Dialysis costs as much as £25,000 per patient a year, while transplants cost about £15,000 and require between £3,000 and £5,000 a year to maintain the patient. Bristol-Myers Squibb believes appropriate use of Capoten, also known as captopril, could save \$2.5bn in the US over 10 years.

The three-year study involved 409 diabetic patients using insulin in 30 centres in the US and Canada. Of the 202 patients on placebo, 45 died. Among the 207 on Capoten only 23 died. The trial was organised by the US National Institutes of Health.

The drug appears to improve circulation in the kidney, improving its ability to process impurities in the blood. The trial showed Capoten nearly halved the risk of high blood levels of creatine which results in reduced kidney function.

Dr Marc Fohl, one of the principal investigators, said: "This study provides a mandate for Capoten to be used for diabetes whether or not they are using insulin."

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INTERNATIONAL COMPANIES AND FINANCE

Hoechst may cut dividend again after 40% decline

By Christopher Parkes in Frankfurt

SHAREHOLDERS in Hoechst, one of Germany's big-three chemicals groups, may face a further dividend cut this year following a 40 per cent earnings decline in the first nine months to DM924m (\$543m), chairman Mr Wolfgang Hilger hinted yesterday.

The company was likely to withdraw from unprofitable businesses if conditions did not improve, he said.

Although he gave no further details, he said he was particularly unhappy about the European fibres business and polypropylene manufacture.

The size of the 1993 dividend would depend on developments in the final quarter and the early part of the new year, he added.

However, October had not lived up to expectations, prices were still unsatisfactory and there had been no change in incoming orders. The payout last year was cut to DM9 from DM12 a share.

The group said domestic business was not expected to deteriorate further, and sea-



Wolfgang Hilger: payout depends on developments in final term

sonal improvements were likely to lift pharmaceuticals operations in north America.

In a gloomy review of the year to the end of September, Mr Hilger highlighted the poor performance at the German parent, Hoechst AG, where operating results were deep in the red. Its pre-tax profits of DM367m, down 55 per cent on 1992, stemmed entirely from investment income, he said.

While group turnover was more or less stable at DM34m, and volume sales were hardly

changed and prices were down 1 per cent, nine-month sales at Hoechst AG had dropped 10 per cent. Volumes were 6 per cent lower and prices had dropped 4 per cent.

Turnover in the healthcare businesses contributed the largest proportion to group sales for the first time, relegating chemicals and dyes to second place.

Worldwide operating profits from pharmaceuticals were DM200m down on the comparable part of 1992.

Siemens earnings steady at DM1.98bn

By Christopher Parkes

SIEMENS, one of Germany's most recession-proof industrial concerns, improved net earnings by 1 per cent to DM1.98bn (\$1.23bn) in the year to the end of September, and will pay an unchanged dividend of DM13.

Income rose by 2 per cent, the first fall for seven years, but deliveries of outstanding orders helped Siemens increase global sales by 4 per cent to DM81.7bn.

Falling demand in Germany led to a drop of 6 per cent in domestic orders. Turnover in Germany rose 2 per cent to DM37.3bn. Foreign demand rose 2 per cent, while sales climbed 6 per cent to DM44.4bn. The effects of recession were felt most strongly in automation, drives, switching technology, and medical electronics, the company said.

The results were adversely affected by heavy losses at the computer business. Siemens Nixdorf Informationsysteme (SNI). However, the deficit shrank to DM418m, from DM513m in 1992, on turnover down 9 per cent at DM11.9bn.

No earnings details were available on semiconductor, although incoming orders rose 33 per cent during the year and sales increased 14 per cent to DM2.1bn.

Telecommunications, the largest group of businesses within the group, recorded sales increases of 3 per cent in the public sector and 16 per cent in private networks.

However, public orders dropped 7 per cent, reflecting the international squeeze on government spending, while the turnover from private telecommunications was bolstered by the first-time consolidation of the US Rolms business.

Sales by the KWU power generation subsidiary jumped 32 per cent, although new orders rose by only 1 per cent.

Siemens Verkehrstechnik, the railways arm, increased turnover 32 per cent to DM3.6bn and booked 33 per cent more new orders than in 1991-92. This was the only operating division not to reduce its workforce during the year.

Hydro and Eni in fertiliser venture

By Karen Fosell in Oslo and Haig Simonian in Milan

NORSK HYDRO, Norway's biggest stock market listed company, and EniChem Agricoltura, part of Italy's Eni group, are to merge their southern European fertiliser activities into a joint venture.

The deal, subject to regulatory approval, should be ready by the first quarter of 1994. First-year sales for the new company, which will have some 300 employees, should reach about £300m (\$487m).

The venture will comprise EniChem Agricoltura's two most efficient plants at Ferrara and Ravenna and Hydro's fer-

tiliser unit in Amberg, France, as well as both groups' fertiliser marketing organisations in Italy, southern France, Spain, Greece and Portugal.

The merger has been triggered by difficulties in Europe's fertiliser business caused by gross overcapacity and severe price competition. Matters have been exacerbated by lower demand from farmers and a sharp rise in imports, especially from eastern Europe.

"This has led to a substantial over-capacity in the European fertiliser industry, making structural changes necessary," said Norsk Hydro.

It estimates about 4m tonnes

of European fertiliser production will be shut down throughout the continent by 1994.

Both companies have experienced difficulties with their fertiliser activities. Hydro suffered operating losses of Nkr237m (\$32m) on fertiliser sales of Nkr18bn in 1992. The previous year, it took a Nkr1.5bn restructuring charge for its fertiliser activities. The group has shut down about 2.5m tonnes of fertiliser production capacity.

EniChem has been restructuring, although its efforts have been hampered by political difficulties and Italy's tough job protection laws.

Its Gela plant in Sicily has been sold, while a unit in Liguria is up for sale.

Although the fate of its other facilities is unclear, observers say the two plants being contributed to the joint venture may represent EniChem's only capacity in the fertilisers field.

The Norwegian company will contribute annual fertiliser production of 500,000 tonnes out of the group's total capacity of an estimated 10m tonnes, while EniChem will contribute up to 1.5m tonnes.

The two companies intend to review whether other associated activities will be included in the new concern.

National Power hit by payout

By Michael Smith in London

NATIONAL Power, the UK's largest electricity generator, yesterday disappointed the market with a dividend increase at the bottom end of expectations and a downbeat trading statement.

A 94 per cent rise in pre-tax profits to £260m (\$373m) for the half-year to September 26 cent, was helped by a £45m release from provisions following a favourable decision on pension equalisation by the European Court of Justice. Without this, the profit rise would have been just 2 per cent on 1992's £261m.

Mr John Baker, chief executive, warned that the company's share of the electricity generation market could fall to

below 30 per cent following a reduction during the half year to 33 per cent from 41 per cent.

Analysts had expected a relatively downbeat statement from the company but the shares fell by 9.5p to 402.5p. The result was achieved on a 21 per cent fall in turnover, down to £1.56bn from £1.97bn.

The improvement was helped by a further reduction in the company's workforce, which fell to 6,700 from 7,300 last March. That compares with more than 17,000 at privatisation three years ago.

The dividend rises 14 per cent, to 3.75p from 3.25p - covered 3.3 times by earnings of 12.2p per share compared with 11.5p last year. The company has aims to reduce cover to about 2.5 times but will imple-

ment the change over two to three years.

The results were the company's last before Professor Stephen Littlechild, electricity industry regulator, decides whether to refer National Power and PowerGen, a rival generator, to the Monopolies and Mergers Commission over their market power.

Work will start on the company's second combined cycle gas turbine power plant, at Didcot, Oxfordshire, early next year, Mr Baker said, and the plant will be commissioned in 1997.

The company was likely to build a third CCGT at Stayingthorpe, Nottinghamshire, by the end of the century.

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Gota Bank posts modest improvement

By Hugh Carnegie in Stockholm

GOTA Bank, the state-owned Swedish bank due to be privatised by the end of this year, yesterday reported an operating loss of SKr3.48bn (\$1.05bn) for the first nine months of 1993, a modest improvement on the SKr3.43bn loss sustained in the same period last year.

The bank said its credit losses had shrunk to SKr715m in the nine months from SKr3.98bn.

Gota's operating loss after the inclusion of financial insurance and SKr7.61bn in drawn-down state guarantees was SKr7.66bn, compared with a loss of SKr1.56bn the year before.

Gota said it had by September utilised SKr12.5bn in state guarantees out of a total of SKr15bn pledged by the government to rescue the bank from the loan loss crisis which crippled the Swedish banking sector last year.

The government, which was forced to take over Gota during the crisis, is to strip out SKr45bn of the bank's bad assets into a so-called bad bank, called Retrieva, which will stay in state hands when Gota is sold.

The state is considering bids from Skandinaviska Enskilda Banken, Handelsbanken and Nordbanken of Sweden. The single foreign bidder is understood to be General Electric of the US.

Procordia lifted by drugs division

By Christopher Brown-Humes

PROCordia, the Swedish pharmaceuticals and consumer products group, yesterday announced a SKr1.47bn (\$181m) pre-tax profit for the three months ended September, up 42 per cent from the same 1992 period.

The company, which is controlled by the state and the Volvo motor group, is in the process of being split into two separate companies. The drugs side is likely to be privatised next year. Volvo is bidding for the consumer products operations.

The first-quarter results show that it was Pharmacia, as the pharmaceutical and biotechnology operations will be known, that was the main contributor to the performance with a pre-tax profit of SKr911m.

Branded Consumer Products (BCP), which Volvo is seeking to acquire as part of a trade-off with the Swedish government, made a SKr563m profit.

Analysts said the figures were unlikely to affect the terms of Volvo's bid for the outstanding 38.3 per cent of BCP which it doesn't own. A stronger performance at BCP

might have forced Volvo to improve its offer. The terms value BCP at SKr1.5bn.

Revenues at Pharmacia soared 88 per cent to SKr6.55bn thanks to currency factors and the inclusion of the newly-acquired Italian pharmaceuticals group Farnitalia Carlo Erba (FICE). The unit more than doubled income from ongoing operations to SKr996m from SKr408m, after FICE made a first time contribution of SKr203m.

Revenues at BCP fell 8 per cent to SKr5.47bn and income from ongoing operations was 2 per cent lower at SKr565m.

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INTERNATIONAL COMPANIES AND FINANCE

Walt Disney hit by \$350m charge for French park

By Martin Dickson in New York

WALT Disney, the US entertainment group, yesterday reported a fourth-quarter net loss of \$77.8m after taking a \$350m charge associated with Euro Disney, the troubled French theme park in which it holds a 49 per cent stake.

The company reported a 10 per cent drop in operating income, from \$395.6m to \$356.7m, on revenues which advanced 5 per cent to \$2.2bn, while the net loss worked through at 15 cents a share.

In the fourth quarter of last year Disney made \$234m, or 42 cents a share.

The company's investment

in Euro Disney resulted in a loss of \$344.3m for the quarter - including the \$350m charge - and a loss of \$514m for the full year.

Walt Disney said the need for a financial restructuring at Euro Disney had created uncertainty about the American company's ability to collect its current receivables from Euro Disney and about its provision of temporary funding to the associate.

Its \$350m charge would fully reserve it against both, with roughly 50 per cent of the sum accounted for by the funding.

Walt Disney's theme parks and resorts saw operating income fall 11 per cent in the quarter to \$190.4m on revenues down 6 per cent to \$533.7m.

This reflected lower theme park attendance and fewer occupied room nights.

Filmed entertainment saw operating income down 22 per cent to \$84.9m on revenues up 12 per cent to \$879.8m. The company attributed the drop to an unusually strong 1993 fourth quarter.

Consumer products posted an 18 per cent increase in income to \$71.2m, on revenues 23 per cent higher at \$361m.

For the full year, the group reported net income of \$299m, or 55 cents a share, down from \$316m, or 52 cents a share, after accounting changes and Euro Disney charges.

Its operating income rose 20 per cent to \$1.72bn on revenues 14 per cent higher at \$5.5bn.

Property groups to invest in Mexico

By Stephen Fidler in London and Damian Fraser in Mexico City

PROPERTY companies run by Mr George Soros and Mr Paul Reichmann have confirmed their intention to go-ahead with \$1.05bn in real estate developments in Mexico City, city officials said yesterday.

They said they expected construction to start immediately and take four to five years to complete. The three projects involved - developments in Santa Fe, Alameda and twin tower blocks on the city's main avenue, Paseo de la Reforma - include office, housing, and hotel developments.

Details of the exact participations would be settled in December, but city officials said more than 50 per cent of the investment was expected to come from foreign sources.

Mr Manuel Camacho, Mexico City's mayor, described the investment as "a vote of confidence in the Mexican economy and the economic reforms of the Salinas government". He said it was "a long-term project indicating confidence in the long-term future of Mexico".

The announcement was made yesterday with Mexican financial markets highly nervous over the North American Free Trade Agreement, which is expected to be voted on by the US House of Representatives next Wednesday.

Mexico's stock market shot up 4.3 per cent by noon yesterday, after the perceived victory of US vice-president Al Gore over Texas billionaire Ross Perot in Tuesday night's debate on the North American Free Trade Agreement.

Novell gains OS market foothold

By Wendy Goldman Rohm in Chicago

NOVELL, the US software company, and Zenith Data Systems, the personal computer subsidiary of Groupe Bull of France, have reached an agreement which should give Novell a toe-hold in the market for personal computer operating software.

The operating system (OS) is the software program that controls the basic functions of a computer. The OS market is dominated by Microsoft of the US, which charges manufacturers a licence fee for each computer sold with its MS/DOS system. Most of the world's 90m personal computers run MS/DOS. Apple personal computers are the major exception.

In January, however, Zenith is set to launch a line of personal computers, called Per-

sonal Servers, pre-loaded with Novell's DOS software, a program that directly competes with Microsoft's MS-DOS.

Analysts said the move would represent a significant breach of Microsoft's control over the PC operating system software market.

A broader deal, being evaluated by Groupe Bull's Zenith as well as Packard-Bell, the US PC manufacturer in which Bull last year acquired a 19.9 per cent stake, could enable Novell to encroach still further into Microsoft's territory.

ZDS is considering pre-loading Novell's latest version of DOS on its desktop PC products; PC buyers would be given a choice of using the Microsoft or Novell operating systems.

No PC maker has yet pre-

loaded its machines with Novell DOS. Computer companies say that is because they are

already locked into contracts with Microsoft that require them to pay a royalty fee on every machine they ship.

Microsoft, however, asserts that its licensing policies apply to particular PC models, rather than to the full range of a PC manufacturer's products. A spokesman also noted that computer makers can opt to license Microsoft software on a per copy basis, if they choose.

With Novell apparently offering more favourable terms than Microsoft for DOS programs, other PC manufacturers are expected to watch Zenith's moves closely.

Mr Raymond Noorda, Novell chief executive said: "These manufacturers are in a low margin business. They want to get computers out the door and make a penny on every one of them."

"They cannot fool around

with large dollar issues on the costs of what they ship. Paying Microsoft a royalty is a significant part of the total cost."

Zenith is understood to have spent months searching for a loophole in its Microsoft DOS licensing contract to ensure it would not owe royalties to Microsoft for its new Personal Servers. The contract stated that royalties would not be owed on machines that could not run Microsoft DOS. Zenith engineers made sure this would be the case for the new computers.

While allowing computers on a local area network to run existing software, the Personal Server, which controls the network, will be driven by Novell DOS. PC users on the network need not know nor care which operating system is running on the Personal Server, experts say.

Lower sales hurt US retailers

By Frank McGurty in New York

TWO LEADING US retailers yesterday said their third-quarter performances had suffered as a result of special charges against earnings. Woolworth and Federated Department Stores revealed disappointing sales figures, in contrast with a batch of retailers reporting a day earlier.

Woolworth, which recently announced plans to close or reposition 970 of its general merchandise and specialty stores in North America, said a \$480m provision relating to the restructuring programme contributed to a third-quarter loss of \$452m, or \$3.43 a share.

A year earlier, it posted net income of \$65m, or 50 cents.

Federated Department Stores posted net income of

\$20.3m, or 16 cents, after taking a one-time charge of \$15m for federal tax changes.

If the provision were excluded, earnings would have increased 11.7 per cent to \$35.3m, or 28 cents, against \$31.6m, or 25 cents, in the corresponding period of 1992.

For Woolworth, sales declined 4.6 per cent to \$2.38bn. However, the decline largely stemmed from the poor performance of its general merchandise stores, which recorded a 10 per cent sales slump. By contrast, specialty shops showed a modest 1.8 per cent improvement.

Sales at Federated were virtually flat at \$1.78bn. The company, which operates Bloomingdale's, Jordan Marsh, Lazarus and other full-line department stores, said the

performance was weaker than expected and blamed it on unusually warm weather this autumn, which depressed apparel sales.

Mr Allen Questrom, Federated's chairman and chief executive, said reductions in operating expenses had enabled it to counter the effect of weak sales and higher price mark-downs.

On an operating level, earnings were up 3.8 per cent at \$108m, compared with \$99.5m a year earlier.

The announcements by Woolworth as well as Federated were in line with Wall Street's expectations and both stocks advanced modestly in morning trade. By mid-day, Woolworth was up 3/4 at \$31 and Federated added 3/4 to \$30.7.

CNN owner tumbles in quarter

By Martin Dickson in New York

TURNER Broadcasting System, which owns the CNN television news service, yesterday reported net income of \$1m in the third quarter, down from \$12.5m in the same period of last year.

The fall was due to the costs of overseas expansion and a \$6m extraordinary charge for early termination of debt.

Mr Ted Turner, the chairman, said the company's core

business performed relatively well, with advertising revenue up 11 per cent.

"The decrease in profitability is primarily related to investment in new businesses, particularly overseas."

"The impact of this sort of investment is consistent with our past philosophy of sustaining operating losses in the near-term in order to create a valued asset in the long-term."

The company's operating profit dipped from \$64.1m to \$59.3m on revenues of \$501m,

up from \$456.4m, while earnings per share worked through at zero, compared with 5 cents.

Turner's interest burden rose from \$46.5m to \$49.5m.

Operating profit at the entertainment segment rose 6 per cent to \$48m, while the news business was up 22 per cent at \$8m, and syndication lost \$10m, \$6m more than last year.

For the nine months the group reported a \$254m net loss after a \$306m charge for accounting changes, compared with a profit of \$48m.

Trizec delays vote on plan for shake-up

By Bernard Simon in Toronto

TRIZEC has delayed a vote on its C\$1.2bn (US\$926m) debt-restructuring plan to give securities holders more time to evaluate proposals made by the Calgary-based property developer.

The company said yesterday that meetings to approve the plan, which were scheduled for December 7, will not be held until at least early-1994, and may be postponed well into the new year.

Trizec initially hoped, when it published its proposals in August, to complete the restructuring by late-October. But Mr Derrick Tay, a lawyer who represents an informal committee of debenture holders, said yesterday: "We cannot be rushed."

The seven-member committee includes representatives of Union Bank of Switzerland, Commerzbank, Westdeutsche Landesbank and Canadian institutions. Many of the debentures, however, are in bearer form, and their holders cannot be easily traced.

Trizec has debts totalling C\$5.4bn. The plan is designed to relieve a heavy debt-servicing burden over the next two-three years by converting senior and junior debentures as well as preferred shares into common equity.

Linde warns of sharp retreat in fork-lift demand

By David Waller in Frankfurt

LINDE, the German engineering group, warned yesterday that group profits for 1993 would be hit by a drastic downturn in demand for fork-lift trucks and other materials handling machines.

For the nine-months group sales dropped to DM5.17bn (\$3.07m), 4.1 per cent down on the previous year, while order intake fell 2.7 per cent to DM5.26bn. For the whole year group sales would be around DM7.2bn, 5 per cent down from last year, Linde said.

Turnover in the materials handling division fell 17 per cent and orders 16.8 per cent in the nine months, after stripping out the effect of last year's purchase of Fiat OM Carelli, an Italian fork-lift truck maker.

Arthur Andersen posts 8% climb in fee income

By Andrew Jack

ARTHUR Andersen, the accountancy firm, yesterday announced fee income up 8 per cent to \$6bn in the year to August 31.

The figures relate to the global results for Arthur Andersen & Co, the Swiss-based organisation. They included a 6.8 per cent rise to \$3.2bn from Arthur Andersen, the accountancy firm, and a 10 per cent rise to \$2.8bn for Andersen Consulting.

Mr Lawrence Weinbach, managing partner-chief executive of the firm, who was in London for its annual partners' meeting, said the results reflected the firm's focus on "consistent high quality client service".

He said that revenues would have been up by 11 per cent at 1992 exchange rates, but that

the increase was less marked because of a strengthened US dollar during the year.

In line with its normal practice, the firm refused to provide any information on its profits. It argues that it is under no obligation to issue this information, has no outside investors and that the figures would be misinterpreted.

The firm increased staff during the year to 65,591 from 59,680 and partners to 2,487 from 2,454. It increased the number of offices to 350 in 72 countries from 318.

The global results included a 12 per cent rise in revenues from the UK firm, up to \$407m. It would not split the figures between Arthur Andersen and Andersen Consulting. Revenue was \$3.3bn in the Americas, \$2.2bn in Europe, Middle East, India and Africa, and \$531m in Asia/Pacific.

All of these securities having been sold, this announcement appears as a matter of record only.

November 11, 1993

6,000,000 Shares



John Alden Financial Corporation

Common Stock

These securities were offered internationally and in the United States.

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November 4, 1993

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FT SURVEYS

INTERNATIONAL COMPANIES AND FINANCE

Western Mining warns of flat results

By Nibid Tait in Melbourne

WESTERN Mining Corporation, the large Australian minerals and metals group, told shareholders yesterday it expected flat first-half profits.

"We expect that the financial result for the first half of 1993-94 will be comparable to the first half of last year," Sir Arvi Parbo, chairman, said at the annual meeting in Melbourne. He said it was not possible to predict the full-year result yet, and declined to forecast when metal prices might show any significant turnaround.

Last year, WMC saw pre-tax operating profit fall 23.8 per cent, to A\$156.6m (US\$105.1m). Profit after tax and abnormal was A\$94m.

At a packed meeting, the chairman faced a barrage of critical questioning from representatives of the Australian Shareholders' Association. Topics included the presentation of the company's results, disclosure of accounting principles, and the cost and current valuation of the group's investments in North America.

One shareholder also wanted to know why "heads had not rolled" over the Ernest Henry deposit debacle earlier this year, which led to WMC losing control of the rich copper-gold deposit in northern Queensland, and paying out A\$20m in legal settlement expenses.

The problem arose when it emerged that WMC employees had trespassed on a lease held by another mining company to gather data, and then withheld the result while arranging an option deal over the area.

"The reason why heads didn't roll was that there wasn't any intent to deceive, any dishonesty," said the chairman. He added that it would have been "against the interests of the company to lose people with high levels of expertise".

WMC also told shareholders the WMC Finance arm had raised US\$400m through the issue of two tranches of debt securities in New York. The capital-raising involved \$250m of notes due 2003.

Takeda ahead at halfway stage

By Emilio Torazono in Tokyo

JAPAN'S leading drug company Takeda Chemical Industries, managed to sustain earnings for the first half to September, due to firm sales of drugs with wide profit margins and aggressive cost-cutting efforts.

Takeda Chemical Industries, the industry leader, said its profits grew on brisk sales of new drugs, although pharmaceutical sales remained almost flat.

Healthcare items, including its wide variety of "pep" drinks, fell 10.2 per cent due to the cold summer, while sales at its chemicals division were hit by a fall in demand from the electronics and car industries, declining 4.5 per cent.

For the full year to March, Takeda expects unconsolidated sales to remain flat at Y660bn (\$6bn), and pre-tax profits to fall 3.2 per cent to Y70bn.

Yamanouchi Pharmaceutical said pre-tax profits for the first half fell due to the fall in interest income as interest rates

declined. However, operating profits were up 4.5 per cent to Y26.7bn due to brisk sales of its ulcer drug and a new diuretic compound.

The company expects full year non-consolidated pre-tax profits to rise 0.6 per cent to Y67.5bn on a 6.7 per cent increase in sales to Y260bn.

Fujisawa Pharmaceutical posted firm non-consolidated

For the year to March, Fujisawa expects parent company pre-tax profits to rise 1.1 per cent to Y236bn and sales to remain flat at Y236bn. After-tax profits are expected to increase by 2.2 times to Y30m.

The company revised up its consolidated forecast for the year, due to a pickup in earnings at Fujisawa USA. The

Although it saw increased sales of its allergy formula, overall sales remained flat due to sluggish revenue of its antibiotics. For the full year, it expects a 11.1 per cent rise in pre-tax profits to Y24m on a 0.4 per cent increase in sales to Y239bn.

Eisai saw a 4.2 per cent rise in its pharmaceutical division thanks to firm sales of its ulcer drug.

Full year pre-tax profits for the parent company are expected to rise 2 per cent to Y25m on a 2.4 per cent increase in sales to Y234bn.

Daichi Pharmaceutical said it will raise its interim dividend by Y1 per share to Y7 and annual dividend by Y2 to Y14 as it pledged to raise its payout ratio on its bond issuance last April.

The company saw a jump in sales of its antibacterial drug and antihypertensive compound. However, the year's appreciation caused a foreign exchange loss of Y900m.

For the year to March, Daichi sees unconsolidated pre-tax profits rising 1.5 per cent to Y38.5bn on a 4.3 per cent sales increase to Y210bn.

Swedish steel group moves back to profit

By Hugh Carnegie in Stockholm

FIRMER prices and lower processing costs helped SSAB, the Swedish steel group, swing to a pre-tax profit of SKr655m (\$43m) in the first nine months from a SKr123m loss in the same period last year.

The company said it expected a full-year profit of around SKr600m, a dramatic rebound from losses last year of SKr186m.

SSAB, which was privatised last year, said it had benefited from the price rise in Europe after European steelmakers cut production in response to a 10 per cent fall in consumption.

The price effect was enhanced for SSAB by the devaluation of the Swedish krona, which left prices for the group's products 5 per cent higher in krona terms in the first nine months than in the same period last year.

Higher steel prices were the main factor behind a 6 per cent rise in sales to SKr9.38bn. At the same time SSAB said it achieved a 4 per cent cut in processing costs through improved productivity and capacity adjustments and a 5 per cent cut in employee numbers to 9,500.

SSAB said demand for steel in western Europe would remain weak for the rest of the year and price trends would depend on levels of output.

But it made its full-year forecast based on the group's improved efficiencies and the lower krona.

The biggest division, Turnplast steel plate, fell from a loss of SKr113m in the first nine months of 1992 to a profit of SKr27m this year, on sales up 10 per cent to SKr4.56bn. Group net cash flow improved from SKr70m to SKr186m.

One-off charges of SKr60m to cover a blast furnace breakdown and the reinstatement of 200 workers ordered by the Swedish labour court were in large part offset by a capital gain of SKr40m from sales of shares in Volvo and Sydkraft.

OK Bazaars to be delisted after poor six months

By Philip Gawth in Johannesburg

OK BAZAARS, once South Africa's leading discount department store, is to be delisted after more than 60 years on the Johannesburg stock exchange. The decision by the company's owner, South African Breweries, follows a poor half-year in which OK Bazaars ran up a bottom line loss of R40m (\$12m).

The move was revealed yesterday, as South African Breweries, the country's largest consumer company, announced its interim results. The group overcame a difficult operating climate to record a 12 per cent increase in attributable profit to R268m in the six months to September from R263m a year ago.

Mr Meyer Kahn, chairman, said that although South Africa's protracted recession appeared to have levelled out, it had seriously weakened private consumption expenditure. The group did, however, manage to increase turnover by 10 per cent to R11.5bn.

Pressure on margins, however, saw trading profit rise by only 8 per cent to R971m, but lower rates of interest and taxation helped boost attributable earnings.

Earnings per share rose by 11 per cent to 103 cents from

83 cents and the dividend was increased by a similar amount to 39 cents from 35 cents.

Mr Kahn said the short-term prospects for the economy remained highly uncertain, with progress towards elections next April sure to be accompanied by disruption. Although not predicting growth "of any consequence" until late-1994, the group is seeking to maintain the current level of performance for the remainder of the financial year.

An indication of the severity of the recession is the fact that beer volumes fell slightly compared to the same period in 1992, a rare occurrence in the industry. Beer division profits, however, rose by 12 per cent to R307m.

The group's other interests ranging from furniture and clothing to hotels and glass - also increased their contribution by 12 per cent, to R76m (R68m). This figure, however, disguises some uneven performances.

Earnings per share at Plate Glass rose by 74 per cent, while furniture company Afcol, appliances group Lion Match and clothing retailer Edgars all performed well. Furniture, footwear and clothing group Amrel, however, made increased losses.

Tiger Oats increases net income by 7%

By Philip Gawth

A LOWER tax bill helped Tiger Oats, South Africa's largest food group, record a 7 per cent increase in attributable income to R367m (\$108m) in the year to September, up from R338m last time.

Low levels of consumer spending continued to place pressure on margins. Turnover grew by 9 per cent to R10m, but operating income fell by 3 per cent to R58m. Earnings per share rose by 3 per cent to 237 cents and the dividend was increased to 82 cents (79 cents).

The management is not expecting improvements in its markets in the year ahead, but expects to post better results on the basis of improved operating efficiencies. Mr Robbie Williams, executive chairman, forecast "reasonable earnings" for 1994. Although still regarded as a blue chip stock, the share has fallen out of favour recently, falling to a current level of R41.50 from a high earlier this year of R50.

Mr Williams said Tiger Foods had suffered from recession with both sales volumes and prices under pressure.

Mitsubishi Estate pre-tax falls

By Robert Thomson in Tokyo

MITSUBISHI Estate, the Japanese property developer and agent, reported a 5.3 per cent fall in pre-tax profit to Y30.98bn (\$286m). This was despite a 43 per cent increase in first-half sales following the recovery of domestic demand for apartments.

Japanese property companies have been forced to discount rents and selling prices on new buildings, as a surge in

construction during the past four years has left larger cities with a glut of commercial and luxury residential properties.

Mitsubishi is fortunate in having large holdings in the Otomachi business district of Tokyo. However, more recently, it has ventured into new areas, including Yokohama, where prices and rents have fallen sharply.

Sales for the period were Y204.3bn, up from Y142.5bn in the first half last year. Apart

from an increase in demand for standard apartments, rent income was boosted by the completion of two large complexes, though profits were eroded by the resulting increase in depreciation charges.

For the full year to March, Mitsubishi Estate is forecasting sales of Y430bn, against Y348bn last year, and a pre-tax profit of Y100bn, compared with Y70.6bn. Net profit is expected to be unchanged at Y37bn.

Carter Holt boosts interim net profit

By Terry Hall in Wellington

FORESTRY group Carter Holt Harvey yesterday announced a "significant improvement" of 47.1 per cent in net profit to NZ\$165.3m (US\$90m) in the six months to September 30.

The company is controlled by a joint venture between International Paper of New York and Brierley Investments, with 65 per cent of its shares held publicly.

Directors said that the forestry and wood products sector achieved earnings before interest and tax of NZ\$145.6m, a rise of 146 per cent over the same period of last year.

Sales grew 36.9 per cent to NZ\$536.5m.

Record high prices for export logs to Asia led to substantially higher profits in forestry. The group also benefited from increased construction which meant adjusting local prices for panels and building supplies to reflect export values.

Indian share discounting opposed

By Shirez Sidhu in New Delhi

INDIA'S main financial institutions have opposed a move by some Indian companies to consolidate their holdings through preferential share allotments at prices lower than those prevailing in the stock market.

The heads of India's largest financial institutions met offi-

cially from the finance ministry and the central bank this week to stress the need for a rational policy on preferential share pricing.

Financial institutions have agreed that neither Indian promoters keen to strengthen control of their companies nor multinationals seeking enhanced equity should be allowed differential share-pricing to the extent that other

shareholders are heavily disadvantaged.

The meeting follows the decision last month not to allow the founding family of Mahindra and Mahindra, a Bombay-based vehicle and heavy engineering goods manufacturer, to buy stock at less than one-third the market price. The institutions were not averse to preference allotments at reasonable discounts.

GREYCOAT PLC

\$50 million Zero Coupon Bonds due 1995
(the "Zero Coupon Bonds")

Notice to Bondholders

The Board of Greycoat PLC yesterday posted to its shareholders a circular (the "Circular") giving details of a new proposed financial restructuring of the company and describing proposals to give Bondholders the option to exchange all or any of their Zero Coupon Bonds for new 9.5 per cent, unsecured Eurobonds due 2003 of Greycoat PLC.

Holders of Zero Coupon Bonds requiring a copy of the Circular and/or seeking further information are advised to contact:

Nigel King or Ken Beiser
Salomon Brothers International Limited
Victoria Plaza
111 Buckingham Palace Road
London SW1W 0SB
Tel: London (71) 721 3790
Fax: London (71) 721 2834

11 November, 1993

GREYCOAT PLC

\$150 million Stepped Coupon Discount
First Mortgage Notes due April 2002
(the "Britannic Bonds")
Notice of Meeting

The Board of Greycoat PLC yesterday posted to its shareholders a circular (the "Circular") giving details of a new proposed financial restructuring of the company. The proposed financial restructuring includes proposals affecting holders of Britannic Bonds.

Notice is hereby given convening a meeting of holders of Britannic Bonds at 10.03 am (London time) on Friday 3rd December 1993, at Exchange House, Primrose Street, London, EC2A 2HS, details of which are set out in the Circular.

Holders of Britannic Bonds requiring a copy of the Circular and/or seeking further information are advised to contact:

Nigel King or Ken Beiser
Salomon Brothers International Limited
Victoria Plaza
111 Buckingham Palace Road
London SW1W 0SB
Tel: London (71) 721 3790
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11 November, 1993

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Floating Rate Notes due 1998

Notice is hereby given that for the Interest Period 10th November, 1993 to 10th February, 1994 the Notes will carry a Rate of Interest of 3.95% per annum. The Interest Amount payable will be U.S. \$100.94 per U.S. \$100,000 Note and U.S. \$1,009.44 per U.S. \$100,000 Note. The Interest Payment Date will be 10th February, 1994.

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10th November, 1993

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Prices data dismay spurs long-dated Treasuries fall

By Patrick Harrington
in New York and Sara Webb in London

LONGER-DATED Treasury prices fell yesterday morning in the wake of a consumer prices report that failed to live up to the US bond market's most optimistic expectations.

By midday, the benchmark 30-year government bond was down $\frac{1}{8}$ at 100 $\frac{1}{2}$, yielding 6.184 per cent. At the short end of

GOVERNMENT BONDS

the market, the two-year note was down $\frac{1}{8}$ at 99 $\frac{1}{2}$, to yield 4.126 per cent.

After Tuesday's surprisingly weak producer prices figures, traders and investors had hoped the October consumer price data would prove equally bullish for fixed-income securities. In the event, however, the government reported that the consumer price index rose by 0.4 per cent last month.

Although this was broadly in line with most analysts' forecasts, disappointment that the CPI number was not as encouraging as the CPI figure sparked early selling by dealers.

The declines at the long end worsened later in the morning, when commodities prices began to inch higher. Cautious trading ahead of the afternoon auction of \$11bn of 10-year notes also contributed to the market's early weakness.

EUROPEAN markets again took their cue from the US in the absence of striking domestic news, and the release of a disappointing CPI figure for October dragged the main fixed-income markets down in afternoon trading.

GERMAN paper dropped on the combination of the US CPI news and further supply in the form of 10-year Treasury bonds. The Bundesbank's decision to shave one basis point off its repo rate - from 6.39 per cent to 6.29 per cent - barely caused a ripple as it was roughly in line with the market's expectations.

The bund futures contract opened at 99.77 and traded in a range of 99.43 to 99.78, with the US news taking the futures down to the low of the day. By late afternoon, the contract was trading at 99.50.

Dealers reported little outright buying of the new Treasury bond, saying that investors

FT FIXED INTEREST INDICES

	Nov 10	Nov 9	Nov 8	Nov 5	Nov 4	Year ago	High *	Low *
Govt Sec (M)	102.58	102.61	102.30	102.28	102.60	95.54	103.60	93.28
Fixed Interest	123.28	123.12	122.92	123.35	124.01	110.09	125.20	108.67

Base: 100 Government Securities 12/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since completion: 127.40 4/1/91, low 48.18 3/1/79
Fixed Interest high since completion: 125.20 1/16/93, low 50.63 6/1/79

Countrywide back in black as house sales pick up

Estate agency recovery helps Hambros to £41m

By John Gapper, Banking Editor

HAMBROS, the merchant bank and financial services group, yesterday disclosed a 53 per cent rise in interim pre-tax profits, helped by a return to the black by its Hambro Countrywide estate agency chain.

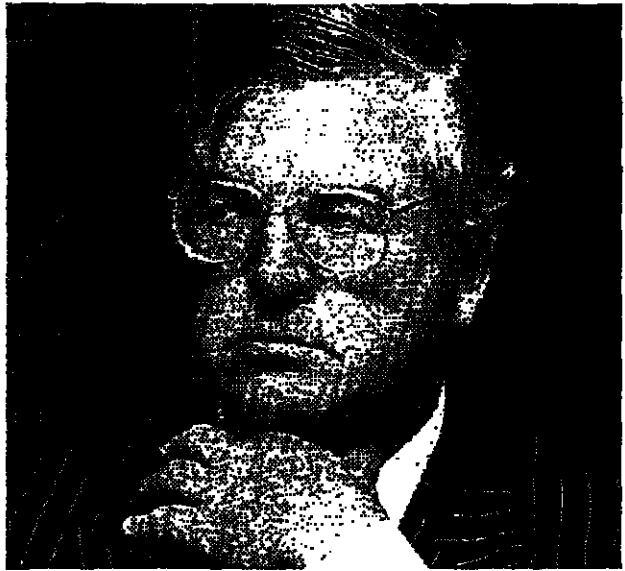
The group, which disclosed its balance sheet for the first time at this stage, made a pre-tax profit of £41.1m (£26.9m) in the six months to September 30. Its undiluted earnings per share rose by 56 per cent to 12.6p (8.1p).

The retail financial services division including Hambro Countrywide made a trading profit of £1.1m (£4.9m loss restated). The group said Countrywide had returned to profitability in June as house sales picked up.

Profits from banking activities rose to £40.3m (£37.3m), although the contribution from treasury and capital markets fell slightly. There was a "marked increase" in corporate finance, and loan provisions fell by a third to 25m.

Sir Chips Keswick, chairman of Hambros Bank, said treasury and capital markets activity was slightly down on the levels of last year because currency markets were not so volatile. "I would have said that was a windfall period," he said.

Sir Chips estimated that some 20 per cent of profits in derivatives were from proprietary trading. He said that over time treasury profits would face declining margins, but that it would continue to produce good returns this year.



Sir Chips Keswick: currency markets were not so volatile

Direct investment activities traded at a profit of £4.1m (£100,000 loss restated following the listing of Hambro Insurance Services Group).

A profit of 53m from the disposal of a holding in Telecoms will be included in the second half.

Mr Christopher Spoorborg, chairman of Hambro Group Investments, said the housing recovery had been weaker than hoped, but Hambro Countrywide expected to sell up to 50,000 properties this year, compared with 39,000 last year.

The balance sheet footings increased by £745m from the year end to £8.59bn. This was mainly due to a rise in acceptances, and increased activity

in equity clearing on behalf of regional stockbrokers.

The interim dividend on 20p ordinary shares was raised to 4.5p (4.2p).

Shares fell 24p to 344p amid disappointment at Hambros' failure to benefit as much as others from buoyant trading conditions. Full-year undiluted earnings per share of 30p would give a prospective multiple of about 12. Together with a gross dividend yield of 5.4 per cent, this hardly makes a risky investment. But with weak loan demand, a shaky housing market, and the best of trading profits past, it is hard to discern the source of strong earnings growth.

Bibby dives to £7m and omits final dividend

By Peggy Hollinger

J BIBBY & Sons, the conglomerate which is planning to spin off a substantial part of its business to pay off borrowings of £125m, yesterday passed its final dividend as annual pre-tax profits plunged by 78 per cent.

The dive in profits from £32.2m to £7.1m for the year to September 24 wiped 11p from the company's shares to 68p. The share price has fallen from a high of 127p in the last six months.

Sales were 27 per cent higher at £791.5m. Mr Richard Mansell-Jones, chairman, had little comfort to offer shareholders as he warned that any recovery was not likely to occur in the current year.

Moreover, he was confident of an improvement in Bibby's prospects in the medium term after demergering its science, paper and agricultural products businesses next year. He said existing shareholders could expect a post-demerger dividend of 2p.

Mr Mansell-Jones admitted that the acquisition of Finanzauto, the Spanish Caterpillar distributor bought for £82m last year, had gone seriously wrong. "No one ever envisaged it [the Spanish construction market] would go down this far," he said. The market had "completely disappeared" in Spain.

Bibby's capital equipment division, which distributes Caterpillar in Spain and Portugal, returned sharply higher losses of £18.2m (£1.8m) as a result. Some £7.8m of the increase was due to interest charges following the acquisition of Finanzauto. Mr Mansell-Jones said the group had cut its Spanish workforce by 25 per cent to 1,500, resulting in on-going cost savings of about £2m.

Materials handling enjoyed brighter fortunes, however, returning a 14 per cent pre-tax increase to £15.5m. These two divisions will be renamed Stratford after the demerger. The agriculture, science and paper products businesses will retain the Bibby name. The group aims to raise some £75m from the flotation, which will be used to reduce its gearing of about 70 per cent. Debt fell from £135.5m to £122.8m during the year.

The group's earnings per share fell from 20.40p to 2.26p. Barlow Rand, the South African group which owns 79 per cent of Bibby, will retain 79 per cent of Stratford and 20 per cent of the new Bibby.

Glengate makes £80m disposal

Glengate Holdings, the privately owned property development company, has sold the Plaza on Oxford Street, London, W, for about £80m to an undisclosed overseas buyer.

The shopping centre and office development produces an income of £8.9m a year which is expected to rise to £7.5m when current rent reviews are completed and additional space let.

Mersey Docks' rights acceptances

Mersey Docks and Harbour Company has received acceptances for 22.2m shares (92.4 per cent) of its rights issue. The balance was sold in the market at an average 496.4p, against the 330p rights price.

Badgerline float price set at 115p

By Andrew Bolger

BADGERLINE Group, the Avon-based bus company which is coming to the market this month, yesterday fixed its flotation price at 115p a share - valuing the group at £99.3m.

The group is forecasting earnings of 8.4p per share for the year to December 31, giving a prospective multiple of 13.7.

The board is also indicating a notional dividend of 4.1p, for a gross yield of 4.5 per cent. A total of £47m is being

raised, including £2m for the benefit of certain existing shareholders, of which £21m is being placed with institutions and £15m being offered to the public.

Badgerline has grown into one of the biggest providers of local bus services. The company began as a £2m buy-out from the National Bus Company in 1986, and now operates 2,900 buses and coaches in the Midlands, South Wales and the south of England.

The flotation is sponsored by Lazard Brothers, with Caze-

nove as brokers. The offer will close on November 19 and dealings are expected to begin on November 26.

COMMENT

This pricing offers a yield premium to the market and is pitched at a discount to Stagecoach, the Perth-based bus operator which came to the market in April. Badgerline has taken over seven other former NBC operations and will look to further acquisitions to maintain earnings growth. The group is well organised and

there remains considerable scope for consolidation of the many remaining privately-owned and municipal bus companies. To analysts who question whether Badgerline can continue to defy the long-term decline in bus usage, the group points both to its increasing efficiency and the future of environmentally friendly park-and-ride schemes, such as it has organised in Bristol. In the short term, the price seems to have been set at a level which should ensure a comfortable, but not excessive, premium.

Hozelock valuation £60m with pricing at 250p

By David Blackwell

HOZELOCK, the garden equipment manufacturer, yesterday finalised its flotation, pricing the shares at 250p to give the company a higher-than-expected market capitalisation of £59.5m.

Last month, when the company announced record operating profits of £5.1m on turnover of £28.2m for the year to September 30, the capitalisation was expected to be £50m.

Mr David Codling, chief executive, said the company had been "very encouraged by the level of interest from investors."

Hozelock is placing 11.2m ordinary shares with institutions, of which half will be subject to a clawback to meet retail demand through intermediaries.

At the offer price pro forma earnings per share were 14.1p

for the year ended September, giving a p/e of 17.8. The notional dividend of 9p gives a gross yield of 6.4 per cent, and is covered 2.3 times.

The flotation will raise £18m net, of which £5.4m will be used to redeem existing preference shares and £8.5m to repay bank and shareholder loans. The remainder will be added to working capital.

The company underwent a £24m management buy-out from Roper in 1990. It has more than 300 products, and accounts for two-thirds of the UK watering and spraying market.

The group is now owned 14 per cent by its management, with the rest in the hands of institutions. After the flotation the management and institutions will hold 58 per cent.

Mr Codling said the company saw plenty of potential to expand in Europe, where it had

built its market share to 2 per cent.

COMMENT

As with many companies in the recent wave of flotations, Hozelock stands alone in its market sector, making a judgment of its performance difficult. It is dominant in the UK, with 66 per cent of the watering equipment market. While there is probably room for organic growth and broadening of its markets at home it will have to look increasingly towards Europe. In those markets it will be faced with stiff competition from Gardena, the private company that dominates the German market and has annual sales of more than DM300m (£122m). While a strong brand name and sound management since the buy-out are likely to prove attractive to many investors, at a p/e of 17.8 the shares are fully priced.

Independent Insurance given £98.5m tag

INDEPENDENT Insurance, the first insurer to obtain a listing since the second world war, yesterday announced an issue price of 225p per share, valuing the group at £98.5m, writes Richard Lapper.

A placing and intermediaries offer by Lazard Brothers and Noble & Co will raise about £25.1m net to fund growth.

The group issued 11.8m new ordinary shares and 400,600 ordinary shares were sold by existing institutional shareholders. Some 6.67m ordinary shares are being placed firm and 5.53m are being placed subject to recall to satisfy valid applications received under the intermediaries offer.

COMMENT

Independent looks to be an attractive addition to the composite insurance sector where it can be compared against larger rivals. The company is tightly managed and tends to focus on specialised areas of the market. Its exclusive focus on the UK might be viewed as a drawback by some investors, especially amid indications that rate competition is returning to the motor market. However, Independent has placed emphasis on underwriting discipline in the past, which ensured it remained in the black between 1990 and 1992. Earnings per share in 1992 amounted to 10.5p putting the shares on an historic p/e of 20.6. A forecast net dividend of 8.25p puts the shares on a prospective gross yield of 4.6 per cent. Overall, the company looks good value against the composites. The shares can be expected to trade to a premium when dealings begin on November 22.

Alders shares up on first dealings

By Maggie Urry

Dealings began in shares of Alders, the department store and duty free retailer, with the shares ending the day at 104p, up from the 170p issue price.

This was regarded as a good premium given the sharp fall in the stock market since the issue, which involved a placing and public offer, was priced. The public offer element had been 2 1/2 times subscribed. Volume was shown at 21.8m shares.

Litho Supplies gets £50m tag with 190p issue price

By Catherine Milton

A PRICE of 190p a share was fixed yesterday for the flotation of Litho Supplies valuing the company, which claims to be the UK's largest independent distributor of printing products, at £50.3m.

Litho, a £20.7m management buy-out from Pembroke Investments of DRG's Litho supplies business in 1990, is coming to the market by way of a placing and intermediaries offer which will raise £14.2m net of expenses.

The company supplies products ranging from high-technology electronic equipment to conventional consumables to about 10,000 small and medium-sized companies.

About 14m shares are being placed with institutions, with up to 6.18m subject to clawback for the intermediaries offer. The funds will redeem £7.3m in preference shares and repay £4m in mezzanine debt. The balance will reduce other borrowings of £5.5m in secured-term loans.

On forecast pro forma pre-tax profits of £5.17m (£3.4m) for the year to end-December, the issue price gives a pro forma p/e of 14.6 times.

"This is a reasonable price for someone who wants to come into the printing sector. If you look at other prices in the sector such as St Ives,

for example, we are coming in at not an unreasonable price," said Mr John Byford, joint managing director.

The total dividend of 6.5p the directors would have recommended for the full year would have given a gross yield of 4.28 per cent. The dividend would have been 2 times covered by earnings per share of 12.97p. A final dividend of 0.7p will be paid for the period to end-December from date of listing. In future Litho intends to pay interim and final dividends approximately in the proportion of 40 per cent: 60 per cent.

The intermediaries offer closes on November 16 and it is expected that dealings will start on November 22.

COMMENT

Litho likes to compare itself with the giants of the printing industry which would make its rating cheap. True, the new flexible, computerised technology on which Litho is pinning its hopes of growth is likely to find favour with the kinds of small businesses which already patronise the company and in which the large manufacturers have little interest. However, with the new market crowded with computer suppliers Litho will depend more than ever on its established trading relationships.

'Turbulent' trading at Charles Sidney

By Paul Taylor

SHARES in Charles Sidney, the Yorkshire-based Mercedes-Benz commercial vehicle and passenger car dealer spun off by Albert Fisher, ended the first day of trading at their offer price of 210p yesterday.

Trading in the stock was described as "turbulent" with about 6.8m transactions and the price ranging between a low of 85p and a high of 210p towards the close.

The group came to the market through a full placing and public offer.

Over 13.6m shares were placed with institutional and

other investors by Panmure Gordon and the public offer of a further 16m shares was 2.7 times subscribed.

Albert Fisher, the food processing and distribution group, has divested Charles Sidney as part of a strategy to refocus the group on its core activities.

FUIT offer oversubscribed

The intermediaries offer for subscription of up to 7.5m ordinary shares in Finsbury Underwriting Investment Trust at 100p per share was subscribed just over three times with some 22.62m shares being applied for.

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Rights issue of 7,543,860 new ordinary shares of 25p each

Wyevalle Garden Centres plc is the holding company of a group engaged in the operation of retail garden and leisure centres.

Copies of the listing particulars may be obtained during normal business hours from the Company Announcements Office, the London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London EC2N 1HP up to and including 15th November, 1993 for collection only, and until 25th November, 1993 (Saturdays and public holidays excepted) from Wyevalle Garden Centres plc, Kings Acre Road, Hereford HR4 0SE.

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	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
ACT Group	Int 1.75p	Jan 7	1.75	-	5
American Intl	Int 4.4	Jan 4	4	-	13.5
Bibby 1/8	Int nil	-	5p	2	9.75
Chamberlain & Hill	Int 2	-	1.75	-	6.25
Electrocomponents	Int 2.5	Jan 4	2	-	7.8
European Colour	Int 0.35	Jan 10	0.275	-	0.8
Hambros	Int 4.5	Dec 13	4.1	-	14
Henderson Admin	Int 12.5	Jan 11	9.5	-	42
Ingham	Int 1.75p	Jan 14	1.5	-	7.8
National Power	Int 3.75	Jan 19	3.3	-	7.3
Personal Assets	Int 0.85	-	0.85	-	1.8
Scottish Value Tel	Int 0.95	Jan 10	0.95	1.8	1.8
Unigate	Int 6	Jan 6	5.7	-	16.1

Dividends shown pence per share not except where otherwise stated. *On increased capital. \$USM stock. \$Fr 15 months.

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Effective November 9			
Term	Quota loans	Rate	Rate
	1993	1992	1991
Over 1 up to 2	5%	5%	5%
Over 2 up to 3	5%	5%	5%
Over 3 up to 4	5%	5%	5%
Over 4 up to 5	5%	5%	5%
Over 5 up to 6	5%	5%	5%
Over 6 up to 7	5%	5%	5%
Over 7 up to 8	5%	5%	5%
Over 8 up to 9	5%	5%	5%
Over 9 up to 10	5%	5%	5%
Over 10 up to 15	7%	7%	7%
Over 15 up to 25	7%	7%	7%
Over 25	7%	7%	7%

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Unigate beats City hopes with £50.3m

By Maggie Urry

UNIGATE raised pre-tax profits by 18.5 per cent in the half year to September 30, to £50.3m, on sales up 2.5 per cent to £1bn. This beat market expectations and the shares rose 8p to 371p.

Operating profits were ahead 27.7 per cent to £49.8m, including £3.8m from acquisitions and £2.4m (£2.2m) from businesses sold.

The dairies division raised profits by 50 per cent to £18.6m, with margins rising from 6.9 per cent to 8.2 per cent, though most of the rise came from integration benefits from acquisitions. Fresh foods profits rose 19.2 per cent to £2.7m, despite retailers' price cuts. Margins were 3.3 per cent (3.3 per cent).

Profits from farm foods, such as bacon and turkeys, rose from £100,000 to £1.2m helped by lower pig prices and the sale of half the pig herd. Higher feed costs had cut margins there. Margins were still

low at 0.9 per cent.

Distribution profits rose 47.3 per cent to £10.9m, largely because of the Glass Glover acquisition, although margins fell from 8.5 to 7.5 per cent. The US restaurants suffered a fall in profits from £8.4m to £7.7m, despite a rise in sales, with the fall in dollar terms near 30 per cent. Other activities made £300,000 (£1.2m) including a loss from the US exhibitions business.

Associates, the Dutch Nutricia baby food business, contributed £3.3m (£7.7m) with the rise due to translating profits at a lower sterling rate. Exceptional costs totalled £700,000. However, this included a £5.5m gain from the release of a provision made in 1991 which was surplus to needs. The fall in sterling added £1.6m to profits.

Earnings per share, excluding exceptional costs, rose 23 per cent to 15.5p. The interim dividend is raised from 5.7p to 6p. See Lex

Henderson Admin 40% ahead after TR buy

By Philip Coggan, Personal Finance Editor

A LOSS OF pension fund clients failed to stop Henderson Administration Group, the fund management group, from enjoying a 40 per cent jump in interim pre-tax profits from £8.55m to £21.7m in the six months to September 30.

The company said client withdrawals lost it about £500m of pension fund money. This was "partly due to the expected withdrawals following the Touche Renmant acquisition, partly due to a move to indexation by some clients but also to the residual effects of our previous period of underperformance".

However, funds under management at September 30 were £12.2bn, compared with £7.3bn at the interim stage last year. An important factor in the increase was the acquisition of Touche Renmant, which brought in £2.2bn of funds. Strong stock markets and inflows in the non-pension fund side also helped.

At end-September the company had £4.4bn of pension funds under management, £2.2bn of investment trusts and about £3m of unit trusts. After the end of the half, the group launched its first investment trust under the combined Henderson TR banner and raised £100m for a Japanese smaller companies fund.

Total revenues for the first half were £30.3m, against £20.5m, which did not include a full contribution from TR. Operating expenses were £22.2m (£18.7m) but the company said the best comparison was with last year's second half figure of £21.3m, which it cited as evidence that it was controlling costs.

Net interest receivable slumped to £944,000 (£2.46m) because of lower interest rates and the cost of the TR acquisition. After tax of £3.1m (£2.82m), earnings per share were 28.23p (21.38p). The interim dividend is being maintained at 12.5p.

IDV buys 21% of champagne producer

By Guy de Jonquieres, Consumer Industries Editor

INTERNATIONAL Distillers and Vintners, Grand Metropolitan's drinks subsidiary, is to take its first stake in champagne production by acquiring 21 per cent of Champagne Laurent-Perrier and 1 per cent of Veuve Laurent-Perrier, its parent company.

Laurent-Perrier, which is privately owned, is the fifth largest champagne brand with about 5 per cent of the world market and sales last year of FF707m (\$86m), 60 per cent of them outside France. The value of the deal was not disclosed.

IDV, which already distributes Laurent-Perrier in the US, Japan, Italy and the Netherlands, will progressively take over distribution of the champagne in some of the roughly 120 other countries in which it is sold.

However, Laurent-Perrier will continue to handle its own distribution in France, Britain and Switzerland.

Mr Bernard de Nonancourt is president of Laurent-Perrier. His family owns 70 per cent of the parent company.

UK side behind 22% rise at Electrocomponents

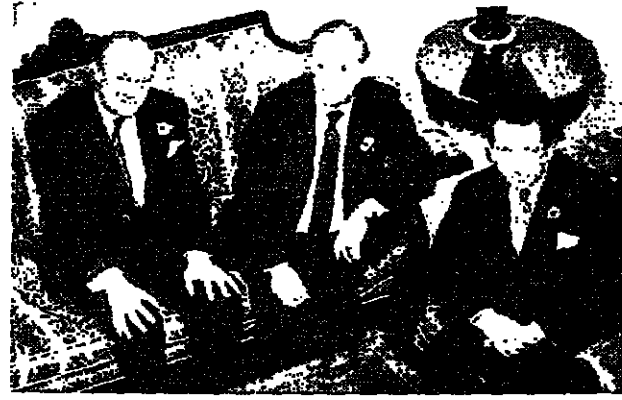
By Paul Taylor

ELECTROCOMPONENTS, the electronic, electrical and mechanical components distribution group, yesterday posted a 22 per cent increase in interim pre-tax profits boosted by a steady improvement in the UK operations.

Pre-tax profits in the six months to September 30 increased from £25.4m to £31.1m. Earnings per share grew by 28 per cent to 9.8p (7.6p) and the interim dividend is being lifted to 2.5p (2p).

Turnover from continuing operations increased from £161.4m to £183.1m, helped in particular by growing sales from the group's new operations in continental Europe. Operating profits from continuing operations increased to £29.7m, against £26.1m last time when the group also recorded a £2.6m operating loss on its now discontinued Misco computer supply businesses.

Sales in the group's core UK-based RS Components business increased by 11 per cent, while productivity gains and lower bad debt costs resulted in modestly improved net margins. RS international sales increased by 40 per cent, underlining the progress made by the group's continental European operations, particularly Radios-



Robert Lawson (left), chief executive, with Sir Keith Bright, chairman (centre), and Robert Tomkinson, finance director

Composants in France, which continued to show strong growth despite the recession.

Mr Robert Lawson, group chief executive, said the performance of the new operations in Europe "vindicated" the group's overseas expansion strategy.

Meanwhile, Electrocomponents ended the period with £51.9m (£36.8m at year-end) in net cash.

Over the next three years it plans to invest £35m to support growth.

● COMMENT
The underlying growth in the

UK business was ahead of expectations and the push into overseas markets is gaining momentum even though the new European operations are still losing money. Group strategy is to deliver high margin, low volume products to engineers anywhere in the world and the next step may well be a joint venture in India. Cash balances continue to strengthen and will be used to support organic growth in the UK and overseas. This year pre-tax profits should reach £71m generating 22p of earnings and putting the shares on a deserved forward multiple of 20.7. Buy.

BICC in Russian telecoms deal

BICC, the international cables and construction group, has entered into a joint agreement to set up a communication cable business in Voronezh, central Russia.

The new business is a joint venture between KWO Kabel, BICC's German cable-making

subsidiary, Svyazstroy, the Russian state-owned telephone cable installation company, and the Cable Research Institute, Moscow.

KWO will take a 25 per cent interest in the enterprise and will provide project management, technical know-how,

manufacturing equipment and a training programme for employees. Its input in the form of machinery and expertise is valued at DM10m (£2m).

The factory will start production in 1994 and will employ some 350 people.




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On December 15, 1993, there will become due and payable on each Note the above amount, together with interest accrued to December 15, 1993. On and after such date interest will cease to accrue on the Notes (or portion thereof so redeemed).

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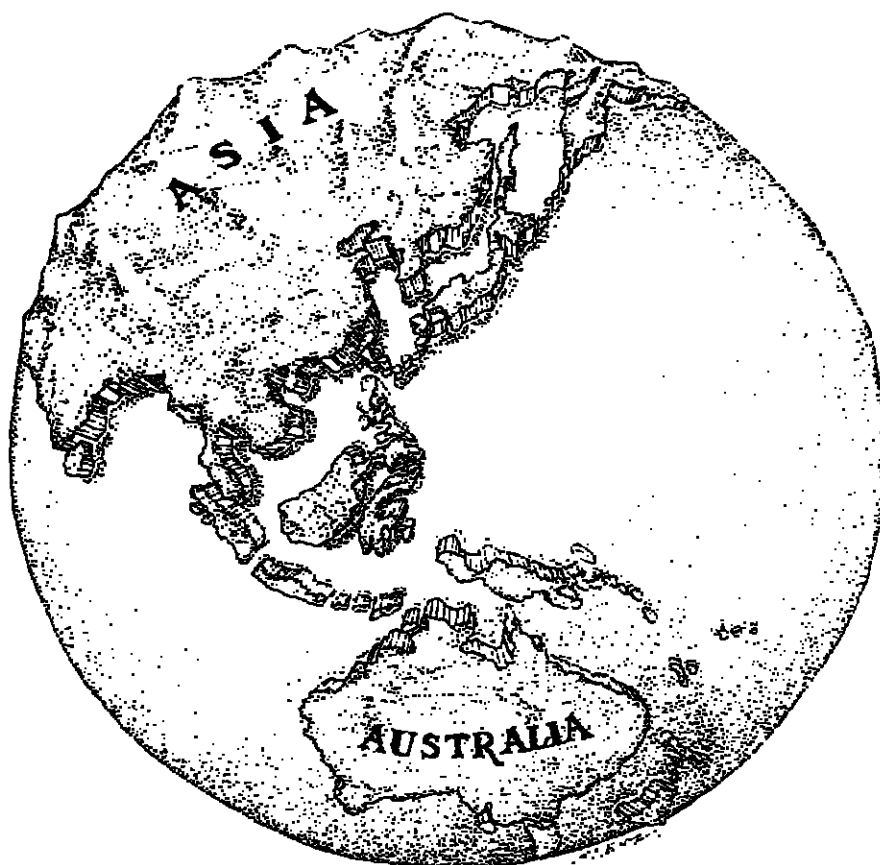
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KOREAN FINANCIAL MARKETS

Thursday November 11 1993

INITIAL scepticism about President Kim Young-sam's commitment to financial liberalisation has been replaced by growing optimism that the new South Korean leader is serious about deregulating one of Asia's most protected capital markets.

Liberalisation hopes were given a boost in mid-August when Mr Kim announced a ban on the tax dodge of using false names in financial transactions, which will increase transparency in the banking industry and money markets.

But perhaps the most significant result of the ban on anonymous accounts will be that it may accelerate implementation of the government's five-year (1993-1997) financial reform plan, which was announced at the beginning of July.

Requiring the use of real names in financial dealings has increased pressure on the government to introduce other changes to counter the threat of untaxed money flowing out of banks and into the large underground economy - estimated to be equal to 20 per cent of gross national product - over the next several years.

Deregulation of all interest rates - a crucial component of the reform package - is considered instrumental in preventing a liquidity drain because it would give banks the freedom to offer higher deposit rates and by doing so improve their ability to attract funds.

The government has freed most lending rates earlier this month and it has been suggested that deposit rates will be deregulated completely ahead of the current 1996 deadline.

The financial stability of the banks will also be improved as the government gradually reduces its interference in the allocation of credit. The state's past policy of forcing banks to give low-interest loans to strategic industries has burdened them with a large share of non-performing assets.

Meanwhile, barriers to the free flow of capital into and out of the country are also set to be dismantled. Foreigners will gain wider access to the stock and bond markets. Restrictions are being eased on Korean cor-



Kim Young-sam/Seoul: hopes for liberalisation increased with the announcement of a ban on anonymous accounts, a move which may accelerate the government's five-year financial reform plan



lation measures. "It all looks fine on paper, but we still have yet to see most of the steps being taken," said the head of a western brokerage firm. Indeed, some of the most important liberalisation measures are not scheduled to be introduced until 1996.

This has raised concerns that the Korean government may revert to its past record of announcing reforms and then delaying them. The current five-year liberalisation plan, for example, is only the latest of several similar programmes that have been offered over the past few years, but which have failed to be implemented.

Ministry of finance officials argue that this time things will be different. They point out that the government is showing greater commitment to liberalisation by offering a precise timetable for the reforms.

Their introduction will also no longer be dependent on the achievement of macro-economic preconditions, a feature of previous plans that critics charged would delay the reform process. Moreover, a few reforms, such as the easing of controls on foreign exchange transactions have been introduced ahead of schedule.

But the most significant factor that could guarantee successful implementation of the plan this time is Mr Kim's anti-corruption campaign, which is weakening bureaucratic resistance to change.

The bureaucracy opposed liberalisation because state control of the economy provided officials with the opportunity to accept bribes in return for granting favours to business.

However, the ban on anonymous accounts, which were used to hide pay-offs, has deprived officials of the possibility to keep their ill-gotten money out of sight. The result is that bureaucrats may have less incentive to maintain financial controls.

Moreover, Mr Kim has installed a new generation of reform-minded technocrats who argued that financial liberalisation is necessary to achieve "economic democracy" in what the president has proclaimed as the "New Korea".

Freedom moves higher up the agenda

One of the world's most tightly controlled markets is finally facing the prospect of deregulation. John Burton finds a growing awareness that the system's restrictions are hampering the nation's economic growth

porate borrowing abroad. The exchange rate system will be liberalised.

These changes are taking place as Korean officials acknowledge that the current financial system has outlived its usefulness.

The present financial structure was shaped by the critical role it played in the country's centralised economy during the past three decades. The state, for example, used the banking system to funnel scarce capital to the heavy industries that led Korea's export drive. Interest rates were kept under control to ensure that strategic companies were provided with cheap funds.

But the past few years have provided a wealth of evidence that the state-controlled financial system is now hindering

industrial performance and hampering economic development.

Credit allocation has become increasingly inefficient and this has created distortions in the industrial structure. Money has been poured into favoured industries that are no longer competitive.

The government's credit policy also promoted the economic dominance of the nation's large conglomerates, or chaebol, while hindering the growth of small and medium-sized businesses. The widely-diversified chaebol have grown too unwieldy and need to concentrate on a few core industries. The lack of funds for the small business sector has meant that the country's subcontracting network remains underdeveloped, while entrepreneurial ventures have been stifled.

COMPANIES that are competing for funds on the open financial markets must pay high interest rates. Deregulation would eliminate the two-tier financial system of cheap state-directed industrial loans and expensive open-market funds, thereby creating a more rational distribution of credit governed by market forces.

A deregulated financial market and the increased inflow of foreign investment would eventually lower the nation's high capital cost structure and improve corporate balance sheets, which are highly-leveraged. This would allow companies to spend more money on such long-term goals as research and development instead of devoting considerable financial resources to servicing their debts. Increased R&D spending is vital since Korea lacks strength in advanced manufac-

turing industries that offer export potential.

While economic arguments alone provide a compelling reason for Korea to adopt financial liberalisation, it is also facing foreign pressure to relax restrictions.

The conclusion of the Uruguay round of the General Agreement on Tariffs and Trade negotiations would push the move toward free trade in financial services.

Korea must also internationalise its financial market if it wants to achieve its goal of joining the Organisation for Economic Co-operation and

Development by 1996. The US has been a persistent critic of Korea's closed financial market. Washington claims that the financial restrictions not only hamper the operation of foreign banks in Korea, but also represent a barrier to foreign investment in the country.

Foreign companies, for example, have difficulties in raising sufficient funds to expand activities. That argument has proved persuasive since Korean officials are worried about declining foreign investments and a growing number of disinvestments.

Although momentum appears to be increasing in favour of financial liberalisation, some foreign financial representatives in Seoul remain cautious about the scope and timing of the dereg-

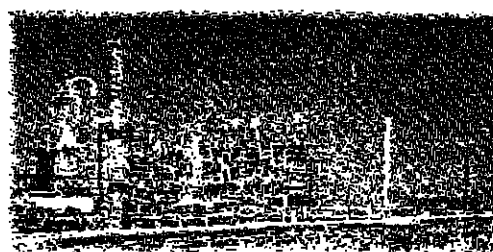
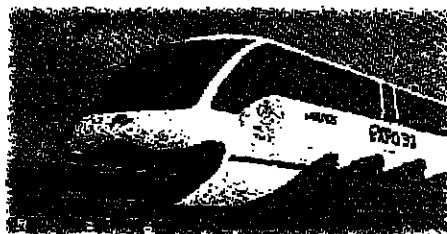
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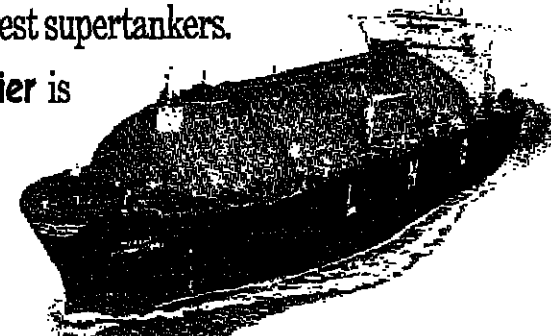
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KOREAN FINANCIAL MARKETS 2

The nation's banks must adapt or face extinction, writes John Burton

Over the first hurdle

THE NEXT five years promise to be a period of upheaval for South Korea's highly-protected and regulated banking industry as it becomes buffeted by the winds of financial liberalisation.

Inefficiently overmanned and saddled with a large amount of non-performing loans, some of the nation's 23 city and regional commercial banks are threatened with extinction unless they adapt swiftly to the demands of a deregulated market.

But confidence has risen that the banks may prove equal to the task after they successfully passed the first test of financial liberalisation: a ban on anonymous bank accounts ordered by President Kim Young-sam in August. Despite widespread predictions that tax dodgers would withdraw large amounts of funds and deplete the banks' deposit base, the reform barely caused a ripple.

A requirement that false-name account holders show identification before withdrawing their funds robbed them of their anonymity and discouraged them from emptying their accounts. Another advantage was that funds held in fictitious-name accounts represented only 1.9 per cent of the Won154,100bn deposited in banks.

But the banks are still worried about a bigger potential problem resulting from the real-name financial system. The government wants nominee accounts, which

use borrowed names, to be registered under their owners' true identity by 1996, when a comprehensive tax system is to be introduced.

At least Won30,000bn, or a fifth of bank deposits, are estimated to be in borrowed-name accounts. Banks fear a steady outflow of deposits over the next two years as account owners try to beat the tax man. Moreover, the identification process that halted withdrawals from false-name accounts is useless in the case of nominee accounts.

Regulated interest rates have proved to be both a blessing and curse for Korean banks

The threat of an erosion of the banks' deposit base may force the government to accelerate the deregulation of interest rates and improve the banks' ability to gain new funds.

Regulated interest rates have proved to be both a blessing and curse for Korean banks. The healthy interest rate spread guaranteed under the system contributed to the 34.1 per cent rise in the 1992 operating profit for commercial banks, which amounted to Won2,596bn, although operating income growth slowed to 12.3 per cent in the first half of 1993 as bad economic

conditions depressed credit demand.

The bank deposit rates set by the government, however, also represent a problem since they are lower than those offered by short-term finance companies, making it difficult for banks to attract funds. Banks account for 45 per cent of all funds deposited in financial institutions. Moreover, asset formation is slowing down as the economy stumbles.

The liberalisation of both lending and deposit rates, which is now scheduled to be completed by 1996, could enable banks to retain their deposit base and sustain their margin spreads through higher loan rates.

The government freed almost all lending rates at the beginning of this month and it has hinted that it will complete the liberalisation of deposit rates, 40 per cent of which are now unrestricted, ahead of its 1996 deadline. The ministry of finance also says it will phase out the credit allocation policies that have burdened the banks with a large amount of non-performing loans, totalling Won10,300bn or almost 7 per cent of all bank credits.

The bad loan problem is particularly acute for some of the older banks, which have been regulated the longest. Non-performing loans held by the Commercial Bank of Korea, the country's largest bank, amount to 13.2 per cent of total loans.



Branch office of the Jeonbuk Bank, Seoul. The industry is expected to witness an extensive restructuring as deregulation progresses.

The government has required banks to provide as much as half of their loans at below market rates to designated strategic industries. In addition, the banks have also been forced to set aside 45 per cent of their loans for small and medium-sized businesses.

The government may encourage bank mergers by easing ownership rules that limit shareholding stakes. The result could be the emergence of two or three Korean mega-banks by the end of the decade. The merger of strong banks with weaker ones would help solve the bad loan problem and encourage rationalisation of operations.

John Wadell, an banking analyst for BZW in Seoul.

But not all of the Korean banks are likely to survive in a deregulated market and the industry is expected to witness an extensive restructuring.

The government may encourage bank mergers by easing ownership rules that limit shareholding stakes. The result could be the emergence of two or three Korean mega-banks by the end of the decade. The merger of strong banks with weaker ones would help solve the bad loan problem and encourage rationalisation of operations.

Banks might also be permitted to engage in other financial sectors, such as brokerage and investment management, to increase turnover and profits. However, these proposals alone may not be able to remove the serious threat posed by the large amount of non-performing loans. Instead of the government bailing out the troubled banks, there are suggestions that so-called "bad banks" should be created to manage dodgy assets or that banks should be permitted to transform bad loans into equity stakes in creditor companies.

PROFILE: SHINHAN BANK

Youth and modesty contributing factors

MEDIUM-SIZED Shinhan Bank has emerged as one of the best performers in South Korea's troubled banking sector.

Shinhan, founded in 1982 by a group of Korean businessmen living in Japan, was the first of seven commercial banks created over the past decade as part of a government policy to foster competition against the country's six main city banks. It now ranks as the country's sixth largest bank with 126 branch offices and total assets of Won15,630bn last year, having doubled in size since 1989.

Analysts predict that its rapid growth will continue. After posting a 23 per cent growth rate in total assets last year, assets are likely to increase by 16 per cent in 1993 and 21 per cent in 1994, according to one estimate by BZW in Seoul.

Although net earnings grew by a meagre 8.3 per cent to Won125.2bn in 1992 and are expected to decline by 4.2 per cent to Won120bn this year due to increased taxation, it still has the third largest bank

profits in Korea after the much bigger Korea First and Hanil banks. Operating income, however, is expected to jump by 27 per cent in 1993 and 1994, after growing by 8 per cent last year.

Shinhan's relative youth and modest branch network are two reasons it is able to maintain high profit margins and one of the strongest capital bases among Korean banks.

The fairly recent establishment of Shinhan has meant that it has not been forced by the government to provide a large amount of the low-interest industrial policy loans that have caused bad debt problems for older banks.

Its non-performing loans at

the end of 1992 amounted to Won210bn, or 2 per cent of total loans. In contrast, the ratio of non-performing loans for the six main city banks was 8.8 per cent of total credit.

The bank has been able to maintain a strong balance sheet in terms of capital and assets.

Shinhan has been able to maintain a strong balance sheet in terms of capital and assets.

Most Korean banks will be forced to boost their equity base or keep lending growth in check to fulfil the Bank of

International Settlements' global capital adequacy ratio of 8 per cent by 1995. Shinhan, however, already has the highest BIS ratio among commercial banks at 13 per cent.

The size of Shinhan's branch network has meant it has so far avoided the overstaffing problems that are reducing profits at other Korean banks.

Although wage levels at Shinhan are higher than average for a Korean bank, so is the level of employee productivity. The profit-per-employee ratio is four times the average for the commercial banks.

Operational efficiency has contributed to Shinhan's ability to maintain the highest return-on-assets among Korean

commercial banks during the past four years.

Shinhan also enjoys the highest lending margins among the main commercial banks, with an estimated interest rate spread of 3.5 per cent last year.

This reflects its strategy of focusing on lending to small and medium-sized companies. The growth of these businesses is favoured by the government and the central bank is giving cheaper funds to banks willing to lend to them.

Shinhan has taken advantage of this policy to increase its lending margins, with its exposure to the small business sector accounting for an estimated 65 per cent of its loan portfolio against 45 per cent for most other banks.

"Shinhan is concentrating on a market niche avoided by most banks which believe that lending to small companies is too risky. But Shinhan is developing a skill in credit analysis that is often lacking in other banks which have relied too much on lending to big corporate customers," said John Wadell, a banking analyst at BZW.

Nonetheless, Shinhan was forced to more than double its loan loss provisions last year when the small business sector suffered a record number of bankruptcies as the government squeezed credit to reduce inflation. Bankruptcies are expected to decline this year and Shinhan is considered fully provisioned for loan losses.

The bank is now concentrating on selectively expanding its retail network into rapidly growing urban neighbourhoods, with at least 20 branches being opened a year. It has also recently focused on developing business abroad, particularly in south-east Asia, which is a favoured site for Korean foreign investment.

John Burton

PROFILE: KFB

Clearing the way

KOREA FIRST BANK, the country's second largest commercial bank, has gained a reputation for being the most aggressive among the older banks in preparing for a deregulated financial market.

The efforts it has made to rationalise operations, such as reducing staff levels and introducing automation, are already bearing fruit.

It reported the largest profits among Korean commercial banks last year, with a 53 per cent climb in net earnings to Won147bn. Net profits rose by 77 per cent to Won81bn during the first half of 1993 and analysts expect earnings to reach Won150bn for the full year.

Its operating income grew by an impressive 88 per cent in 1992, although this will slow to only 9 per cent growth this year because of the economic slowdown and weaker demand for credit.

The Office of Bank Supervision rated KFB as the best managed bank in 1992.

The rationalisation programme was launched by Park Ki-jin, who became the bank's president in 1991. It was thus ironic that Mr Park was forced to resign this spring when it was alleged that he had provided questionable loans to a failed property company run by his brother. He was the third bank president forced from office this year as a result of a government investigation into corrupt practices in the banking industry.

Mr Park's departure, however, has not slowed down the reforms at KFB, which was established in 1929 as the Savings Bank of Korea.

The main emphasis remains on improving efficiency. An

elimination of 300 jobs over the past two years has reduced the staff level to 8,500, around 600 fewer employees than at the other main banks. It already has the lowest ratio of overhead costs per unit of operating income at 44.7 per cent against an industry average of 49.2 per cent.

The bank plans further job cuts through natural attrition that will reduce its staff to 8,360 by 1995, even as it increases its domestic network - the smallest among the big city banks - to 305 branches from the current 276.

KFB is depending on the installation of automatic cash-point machines, which have only been recently introduced to Korea, and upgrading computer systems to compensate for the personnel cuts.

It is also promoting a progressive personnel management policy in an attempt to improve customer service. Last year, it became the first Korean bank to guarantee equal career advancement opportunities for employees.

Profits have been improved by deft financial management. It relies less than other banks on holding certificates of deposits, the costliest source of funds. It has become an aggressive trader in the stock market and reported the industry's biggest gains from securities last year. It also recorded the second-best performance in the industry for managing trust assets after the Bank of Seoul, which specialises in the trust business.

KFB must still contend with the critical problems that are also affecting the other older banks. It has a high percentage of non-performing loans,

amounting to Won1,855bn or 6.9 per cent of total credits, although its provisions for doubtful accounts has reached 2.1 per cent of loans, above the central bank's 2 per cent guideline.

It may also need to raise new equity to meet the Bank of International Settlements' capital adequacy ratio of 8 per cent by 1995. The bank claims that its equity/assets ratio is 10 per cent, but independent analysts estimate that the ratio is closer to 7 per cent.

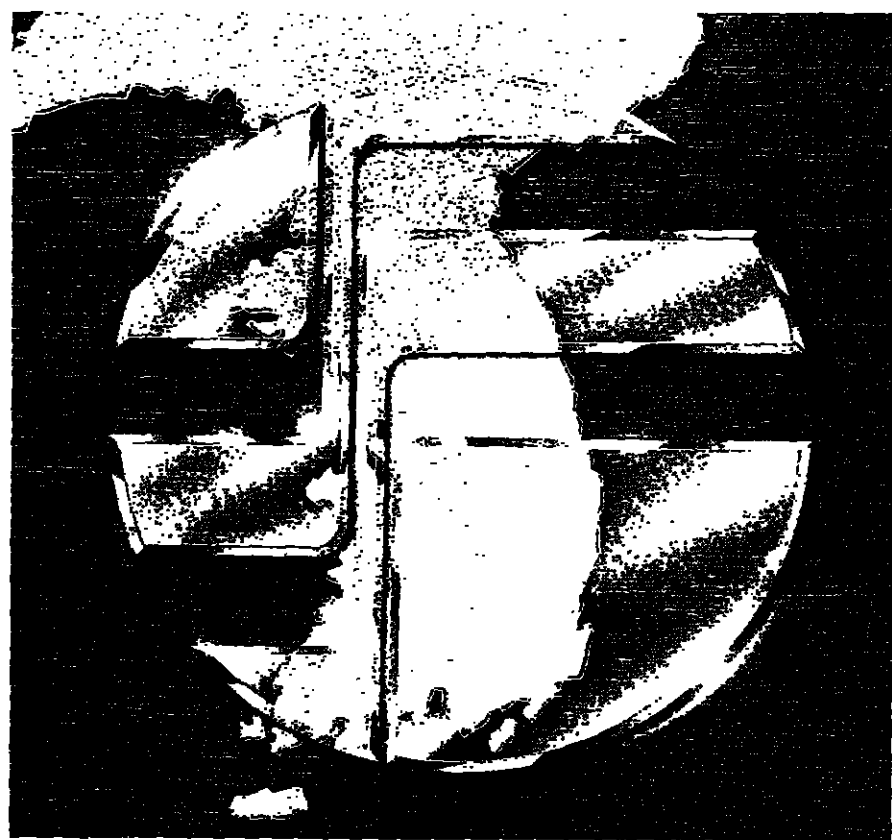
Nonetheless, its capital base remains strong. Total assets amounted to Won27,498 at the end of 1992. It accounts for 14 per cent of loans and 17 per cent of deposits among the commercial banks. Its business is heavily oriented toward the corporate sector, accounting for 80 per cent of loans which are almost evenly divided between large and small companies.

KFB, which is already one of the most active Korean banks overseas, is now concentrating on expanding international activities.

It has developed its foreign exchange business by taking the unusual step for a Korean bank of hiring outside bankers. It is taking a lead in international financial trading, including floating bonds overseas and managing international syndicated loans.

But net profits from its overseas branches fell by 25 per cent last year to \$9.7m because of large loan loss reserves following a sharp rise in non-performing loans. Loan loss provisions are expected to rise further this year.

John Burton



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Tracy Corrigan looks at the problems faced by foreign bankers

Profitability strained

WHILE foreign brokers moan about the ceiling on foreign share ownership, foreign bankers in Korea have their own gripes.

The controlled interest rate environment makes it hard for them to compete for business. Wage costs have spiralled in recent years and labour relations are worsening. The government requires bank branches to put up substantial capital, which reduces their profitability. And the economic slowdown has led to greater credit problems.

Most foreign banks in Korea are involved primarily in the corporate banking sector. According to official figures, the total assets of foreign banks accounted for 10 per cent of the market, or Won16,914bn last year. However, their market share in deposit-taking is minuscule - around 1.4 per cent of the total, or Won86bn.

Most of the foreign banks' business is with Korean companies, and consists of short-term credits, often related to trade finance. There is also relatively limited foreign exchange business. However, these markets should grow as the interest rate environment is deregulated over the next few years.

Because of the current lack of a liberalised lending market, the bank market is supplemented by a so-called "kerb" market. The kerb market is a source of funds lent often by wealthy individuals to small-size businesses which find it difficult to borrow from banks.

The reason it is so hard for them to persuade the banks to lend is that banks are only allowed to charge rates within a restricted range, which discourages banks from lending to weaker credits.

"There is not a free market," said one banker. "Banks are given 'guidance' not to charge above a certain rate. Foreign banks are profitable but it is by using capital from head office, because branches have to be heavily capitalised. The Bank of Korea assumes capital is free but it's not."

In fact, the profitability of foreign banks is difficult to assess because some banks

are charged by their head office for the cost of capital, while others are not.

"A lot of the profitability of banks is just the differential between Libor - the assumed funding cost for the capital - and returns on assets," said one banker.

In addition, banks have experienced an increase in bad debt over the past two years, as a growing number of Korean businesses have failed.

The strains on profitability have brought to a halt the flow of arrivals of foreign banks into the country. Foreign banks currently number 52.

"With labour costs and other aspects of the operating environment, commercial bank entry will be very slow," said Paul Muther, general manager of the First

Bankers believe a spate of labour problems that have taken place this year is something which could threaten their future

National Bank of Chicago and head of the Foreign Bankers Group. He said this year was an important one for the bank. "We have reached a crossroads in the profit dynamics".

Higher wage costs and flat revenues mean that profits are falling. "Broadly speaking, a typical foreign bank branch in 1992-3 is generating approximately the same revenue as five years ago - but the cost of unutilised staff has gone up roughly 100 per cent," Mr Muther said.

Bankers believe a spate of labour problems that have taken place this year is something which could pose a threat to their future.

Disputes at ABN Amro and the Bank of Boston have been settled but a strike at Citibank continues and trouble is brewing at Bank of America, Banque Nationale de Paris, Banque Paribas and Standard Chartered. With the exception of Citibank, where the dispute concerns an employee welfare fund, the other strikes are all

based on pay claims. These claims often run into double figures.

Foreign bankers argue that their industry cannot sustain these types of pay increases, and that the net result of the high pay claims is that those foreign banks already in the market have stopped expanding their operations and other banks have been discouraged from entering the market at all. "Unless we can get employee compensation under control, there is no future to the business," Mr Muther said.

Most foreign banks are involved only in corporate banking, and eschew the even more difficult retail market. The exception is Citibank, which has 11 branches in Korea. According to John Beaman, country corporate officer of Citibank, the retail banking strategy for Citibank in Asia is "sharply focused. The nationwide banks have several hundred branches, so it doesn't cost them that much to set up a new branch. It costs us a lot of money."

The strategy therefore is to concentrate on products which do not require frequent visits to the bank by customers, such as credit cards and telephone banking, and to target upper-income customers. The bank has a policy of "locating branches in upper-income residential neighbourhoods," he said.

Because most Korean housing is high-rise, the population tends to be highly concentrated and one branch can serve a far higher number of people than it would elsewhere. For example, within one kilometre of Citibank's branch south of the River Han in Seoul are some 300,000 households.

Citibank does not target expatriate clients. In fact, the branch in Seoul's expatriate district was closed, as expatriates do not tend to keep substantial sums of money in the country.

Other foreign banks are not considering entering the retail market. Most of them are preoccupied by the necessity of maintaining their fragile profitability in the corporate sector.

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The government says it will raise the ceiling on Korean stocks, writes Tracy Corrigan

Light at the end of the tunnel

LESS THAN two years after the Korean stock market was partially opened to foreign investors, the investment limits on most prime Korean stocks have already been reached.

Since January 1992, up to 10 per cent of Korean stocks has been available for foreign investment. According to In-Kye Hong, chairman of the Korea Stock Exchange, 25 per cent of companies have reached their 10 per cent ceiling, with about 200 shares at more than 9 per cent.

"That's most of the big shares," said Sean Goldrick, chief representative of James Capel's Seoul office. The rest of the market consists of shares in companies which are not

large enough to interest foreign investors.

While this is proving frustrating for brokers and investors, hope is in sight. According to the Korean government's five-year economic plan, the ceiling on Korean companies will be raised some time between 1994 and 1995 and again between 1996 and 1997.

However, Chang-Yull Lim, assistant minister at the ministry of finance, says he expects the ceiling on foreign investment to be raised in the first half of next year.

Mr Lim said he could not predict by how much the ceiling would be raised. Most market participants are looking for a further 5 per cent, bringing the ceiling to 15 per cent.

The government's gradual approach to liberalisation is dictated primarily by fears that a rapid inflow of foreign investment could fuel inflation. Even with the current limit, the inflow of foreign investment has been substantial: a net

'The most important factor is the potential impact of foreign capital on monetary stability'

\$2.5bn in 1992 and a net \$3.32bn for the first three quarters of 1993, according to the ministry of finance. This means that 8.2 per cent of the market is owned by foreigners.

"The most important factor is the potential impact of foreign capital on monetary stability," said Mr Lim. For example the \$3bn of net inflow this year accounted for 21 per cent of total money supply.

However, there are ways around the 10 per cent limit.

One is to buy convertible bonds, or bonds with equity warrants issued in the Euro-bond market. Another is to buy stocks which have already reached their ceiling from another foreign investor. An over-the-counter market has developed in foreign-owned

stocks, which are bought and sold at a premium. There are 30 to 40 stocks traded in this way, usually at a premium of 3 to 4 per cent, but sometimes at a premium of as much as 50 per cent, as in the case of Korea Mobile Telecom.

But, according to Philip Smiley, branch manager and director of Jardine Fleming Securities, it is "terribly difficult to find a company (stock) in sufficient size to interest a foreign institution". Foreign investors are often loathe to sell, because they are afraid that they will not be able to get back into the market.

In any case, the performance of the Korean stock market has been disappointing, particularly when compared to other Asian markets such as Hong Kong and Thailand.

Korea's relative economic slowdown and declining profitability have weighed down the stock market's performance this year. But expectations of stronger growth next year had buoyed hopes of an improvement.

The introduction of real-name trading in August proved a setback for the market. In an effort to stamp out corruption, the government banned the use of false or borrowed names. False names had been

frequently used to avoid tax, or to hide the origin of illegal earnings. About Won3,000bn was held in false-name accounts, estimated to account for 7 per cent of stock investor accounts.

"The market is coming out of a dip," said Mr Smiley. "We felt that there would be a genuine recovery in the last quarter [of 1993], but the [introduction of] the real-name system has knocked that back."

However, the real-name system has been broadly welcomed, particularly as it became clear that the set-back to the market was temporary. "It is not such a cataclysm as it was first thought," said William Daniel, branch manager of Baring Securities. This was partly because the government had proved flexible in its interpretation of the rules, he said, adding that it was expected eventually to help the market.

"It's a positive move and in the long term will bring greater probability," said one broker.

In the longer term, the prospects for the market's development remain attractive, not least because of Korea's strong industrial base - the second largest in Asia after Japan.

Already, the foreign investor base in the market has broadened from specialist regional



Traders on the Korean stock exchange: long-term prospects for development remain attractive

and country funds to mainstream institutional investors. Including a surge of interest from US institutions earlier this year. However, the 10 per cent ceiling has "put an artificial brake on our activity", said Mr Daniel at Baring Securities.

"We've made a substantial investment here. If they don't

raise the limit, we'll be hurting," said Mr Smiley.

The planned introduction of stock index futures at the beginning of 1996 is likely to attract foreign investors. A study is under way to devise the form of the contract, as well as a new index.

The current Korean stock-market index, known as Kospi,

covers too many small stocks to be viable as the basis for a futures contract. The new index is likely to include 100 to 300 companies, according to Mr Hong of the stock exchange. He added that the futures market would be introduced first, to be followed by options. Interest rate derivatives will be introduced later.

THE BOND MARKET

Barriers to foreign investors still in place

THE liberalisation of Korea's financial markets is taking a long time to reach the domestic bond market.

Under the blue-print for economic reform published in June, foreigners will be granted partial access to the bond market from next year. But they will not be able to invest directly in most domestic corporate bonds until after the current five-year plan. Even then, a limit is likely to be set on the total amount of bonds available to foreigners.

However, Korea's high interest rates mean foreign investors are likely to be keen to take advantage of the limited access they will be granted, particularly if real interest rates in the US, Europe and Japan remain meagre.

Under the second stage of the current plan, foreigners will be allowed to invest directly in equity-linked bonds issued by small and medium-sized companies next year. In 1995 they will be able to buy domestic bonds through investment trust-type vehicles. Under the third stage, they will be authorised to invest

The big fear is that a large inflow of money into the Korean economy could fan inflation

directly in bonds issued by small and medium-sized companies in 1997.

However, some analysts are cynical about how much foreign interest will be generated in smaller companies, which are unfamiliar and weaker credits. It is the large Korean companies, many of which are now seeking credit ratings from Moody's and Standard & Poor's, which are likely to be in strong demand.

One reason the government has been slow in opening the corporate bond market, says Bukmoo Choi, a fellow of the Korea Development Institute, which advises the government, is that "we don't need a big amount of foreign capital... Our savings ratio and investment rates are very high". Korean companies themselves are more interested in borrowing abroad, where rates are much lower, than in the development of the domestic market, where corporate rates are currently about 13 per cent.

There are also those opposed to liberalisation of domestic interest rates - some companies pay favourable regulated rates. However, the admission of foreign investors and the creation of a more liquid market, including some longer-dated bonds, would be likely eventually to reduce the rates.

The government is held back by macro-economic concerns. "There is a 10 per cent differential between domestic and foreign rates," says Mr Choi. The big fear is that a large inflow of money into the Korean economy could fan inflation, currently at 5 to 6 per cent. With inflation at this level, real interest rates, at about 7 per cent, are high and would therefore be extremely attractive to foreign investors. "If we just opened up the market, it would cause a lot of disturbance," said Chang-Yull

Lim, assistant minister of the ministry of finance. "The first job is to narrow the interest rate differential". He believes this will happen as domestic interest rates are liberalised. Moreover, if the world economy picks up, interest rates elsewhere could start to edge up again.

Korea has a history of chronic inflation, fuelled by monetary expansion in the 1980s, when the government provided low-cost funds to parts of domestic industry. The fear of inflation is the government's so-called "step-by-step" approach. In fact, Mr Choi says the plan is to have raised the limit on foreign ownership of stocks to 25 per cent before opening the bond market further.

Further ahead are plans to develop the government bond market. "We are thinking of developing long-term bonds," said Mr Lim.

The Won35,000bn government bond market is highly illiquid. Much of the paper was issued at below market rates and so is not traded.

Most of the paper has a one-year maturity, with some three-year bonds and some illiquid 10-year paper. But the government plans to create a liquid yield curve, with bonds at five, seven and 10 years. "In order to issue more bonds, the government will have to respect market rates," said Mr Choi.

Korea already has an active domestic corporate bond market, but most of the bonds are issued with a three-year maturity. Here too, the plan is to develop a yield curve.

In spite of being held back by restrictions, the Korean debt market has grown rapidly, with corporate bond issuance reaching Won11,155bn in 1992, from just Won963bn in 1980. The proportion of debt (including government, municipal and corporate bonds) relative to gross national product has risen to nearly 20 per cent, compared with 6.9 per cent in 1980, according to the Securities Supervisory Board.

As the amount of outstanding listed bonds has grown (from Won2,500bn in 1980 to Won65,000bn in 1992), turnover in the secondary market has also increased, from Won2,400bn in 1980 to Won45,900bn in 1992. While bonds are listed on the Korea Stock Exchange, most trading takes place in the over-the-counter market. This has been a progressive trend - OTC trading accounted for over 96 per cent of total trading volume in 1992 compared with only 46.3 per cent in 1987, according to Lucky Securities.

In spite of the growth of the market, it remains illiquid and bound by regulations. Nevertheless, foreign investors hungry for yield, would jump at the chance to buy top Korean corporate bonds paying 13 per cent which, with relatively low inflation, would compensate them for any foreign exchange risk. But the government is loathe to open the market until the differential with other markets - the source of attraction for foreign investors - has been reduced.

Tracy Corrigan

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SOMETHING WE DON'T HAVE THE TECHNOLOGY TO MAKE.



KOREAN FINANCIAL MARKETS 4



Posco's steelworks: the company found taking advantage of the swap market reduced funding costs

Korean companies are limited when it comes to securing cash overseas

Raising global profiles

MANY of Korea's largest companies are competing for business on a global basis, but their ability to raise funds in overseas markets is restricted.

Since domestic interest rates can be as much as 10 percentage points higher than rates in international markets, this puts them at a competitive disadvantage.

It is no surprise, therefore, to find that Korean companies have taken full advantage of the gradual liberalisation of these restrictions and have worked hard to raise their profiles with foreign investors.

"In our case, our capital expenses are so big that we have to secure funding from

overseas," said Jang Yul Koo, general manager, international finance department at Samsung Electronics. "The domestic market is not sufficient to meet our requirements."

However, the Korean government continues to exercise strict control over bond issuance and occasionally delays or reduces the size of issues.

"Many companies are interested in raising money overseas," said Chan-Yull Kim, assistant minister at the Korean ministry of finance. Because of the large interest rate difference, if permitted "everyone will go abroad," says Mr Kim.

"Usually we allow companies to raise money overseas when they will use that money to import from overseas," he says.

The authorities are concerned that excessive overseas borrowing will affect the growth of money supply and cause the level of inflation to rise. For this reason, Korean companies are not permitted, for example, to refinance domestic debt in the international market.

However, the government has raised the limit on overseas borrowing from \$1.5bn to \$2bn for this year and the level is likely to be the same next year. Firms have to gain approval for each offering and approval is based on the purpose of the financing. Reasons other than capital expenditure, preferably on equipment from abroad, are frowned upon.

Korean companies would like to be able to be more opportunistic in the market," said one banker.

In spite of restrictions, companies are sometimes able to take advantage of opportunities in the swap market to reduce funding costs. Last year, Pohang Iron and Steel (Posco), needed to borrow yen in order to repay some yen syndicated loans. It proved cheaper to issue debt in dollars and swap into yen. Yon Woon Kim, senior managing director of Posco, estimates that the swap saved the company \$14m.

Korean companies have approached the international market gradually. "Korean companies used to be financed by syndicated loans in the 1970s and 1980s," said Edward Kim, general manager, international finance at Korea Development Securities, a wholly owned subsidiary to the Korean Development Bank.

"In the mid-1980s, they started issuing convertible bonds then as credit perception improved, they were able to issue straight debt," Mr Kim said. As well as offering lower interest rates, the international markets offer more scope for companies to issue longer term debt.

Korean borrowers are reaching an increasingly broad range of investors. Having

'Korean companies would like to be able to be more opportunistic in the market'

started by issuing in the Euro-bond market, some have now tapped both the US Yankee bond market and the Japanese Samurai bond market.

Some companies have moved into more esoteric markets. Samsung Electronics, for example, is one of the first borrowers ever to set up a programme in the Hungarian Forints Commercial paper market which it will use to finance its plant there.

In order to reach a broader audience of international investors, an increasing number of Korean borrowers are seeking ratings from the leading international credit rating agencies, Moody's and Standard & Poor's. Ratings are considered more necessary for companies that want to issue straight bonds than for those issuing equity-linked bonds.

Since the Republic of Korea was rated A+ by Standard & Poor's in 1988, a number of wholly or partly government-owned entities have achieved the same rating, including the Korean Development Bank (KDB), Korea Electric Power (Kepco) and Korea Telecom.

Moody's does not rate the Republic, but the government-guaranteed KDB and Export-Import Bank of Korea are rated A1 by Moody's.

David Levey, head of sovereign ratings at Moody's said that the much lower level of debt that Korea has achieved and its continued strong economic performance, in spite of some slowdown, had to be balanced against the uncertainty over potential reunification with North Korea.

So far, few industrial companies have gained ratings. Posco is rated A2 by Moody's and A+ by Standard & Poor's, while

Samsung Electronics is rated Baa2 by Moody's and A- by Standard & Poor's. However, more companies are likely to seek ratings in the future, although there is a tendency for companies to want ratings only if they will be in the single-A category.

Companies have also made efforts to explain their credits directly to investors. Samsung Electronics, for example, has hosted regular roadshows to coincide with new issues.

Posco, the world's third largest steel producer, was "well known in Asia but not in the west", according to Posco's Mr Kim. In its efforts to develop its investor base, the company holds one-to-one meetings with investors rather than road shows.

Traders in London say that demand for Korean companies' issues is strong, providing issues are correctly priced. Investors generally require a slight premium over similar European or US credits.

Samsung has been active in a wide range of markets and has issued commercial paper as well as long-term debt. So far this year, the company has tapped the US and D-mark CP markets. It is also considering setting up a sterling CP programme, if its sterling requirement proves sufficiently large.

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The company has a colour television factory in Billingham.

"In the future we will need to diversify our exposure. Our overseas activities are increasing and we need to meet those needs," said Mr Koo, adding that dollars, D-marks and sterling were of particular interest.

Posco, too, has made a "strategic decision to diversify funding sources, and investor groups" so that it can continue to finance new projects worldwide, says Mr Kim.

Korean companies have also been active in issuing depositary receipts or global depositary receipts. "If we offer equity in the Korean market, it has to be at a discounted price. In the foreign markets we can issue at a premium," said Mr Koo of Samsung.

Tracy Corrigan

FOREIGN EXCHANGE

Committed to relaxing the rules of the game

THE introduction of new foreign-exchange regulations on October 1 will represent one of first steps taken by the new administration of President Kim Young-sam towards financial liberalisation.

The deregulation measures are seen as a clear indication that the government is committed to introducing a free-floating foreign exchange rate system in 1997 by preparing the establishment of a sophisticated foreign exchange market.

The recent easing of the strict rules on foreign exchange transactions is also closely connected to the opening up of capital markets to foreigners. The entry of foreign investors into the Korean stock market last year, for example, has increased the volume of foreign exchange trades as the inflow of capital from abroad grows.

Domestic companies and banks welcome the relaxation of the rules. Companies have complained of difficulty in hedging against foreign exchange losses because of close government supervision of foreign exchange deals.

Korean banks - seeking new sources of revenue in an increasingly competitive financial sector - see the prospect of growing earnings from hedging and speculation in the foreign exchange market.

The government has heavily policed the foreign exchange market because it feared that currency speculation would cause volatility in the exchange rate and disrupt the country's export-dependent economy.

Under the guidelines, companies will no longer be required to submit original supporting trade documents to banks for most forward foreign exchange transactions in order to prove they are hedging currency risks rather than speculating. Documentation will be exempt for all forward contracts between currencies other than the Korean won and be limited to deals of above \$3m involving the won

and other foreign currencies.

Companies will also be allowed to settle trade transactions of \$100,000 or less in won-denominated letter of credits instead of foreign currency.

The abolition of documentation for most forward foreign-exchange contracts, the most common form of currency hedging, removes an obstacle that hindered corporate access to the foreign-exchange market and hampered their defence against currency losses.

The central bank estimated that Korean companies suffered Won350bn in foreign-exchange losses last year. Losses

The foreign exchange market in Korea has grown sharply in the past few years

are expected to more than double this year primarily due to the Korean won's 20 per cent fall against the Japanese yen.

"These measures will not bring about drastic changes to the foreign exchange market in the short-term," says Kim Young-min of the Lucky-Goldstar Economic Research Institute.

One reason is that the government retains effective control over the won's value against other currencies. Although the government has widened the daily interbank foreign exchange rate trading band to 1 per cent from 0.5 per cent, Mr Kim says: "We know from past experience that an expansion of the allowed range of fluctuation does not immediately cause a proportionate expansion of the actual range of daily fluctuations."

This is because the government dominates the foreign exchange market through the central bank.

Nonetheless, the foreign exchange market in Korea has grown sharply in the past few years, although it remains small compared to those exist-

ing in the advanced industrialised countries.

The average daily trading volume of foreign-exchange transactions has increased from \$300m in 1990 to \$1.2bn this year, with spot transactions accounting for \$850m and forward transactions for \$470m.

Analysts believe that the foreign exchange market will grow significantly once the government implements additional financial liberalisation measures.

Demand on the foreign exchange market will increase as the government raises the foreign ownership ceiling on domestic stocks and opens the bond market to foreigners by 1995 and the deregulation of overseas direct investments by Korean companies will bolster demand.

The government has also announced that the exchange rate trading ban will be widened, forward contract documentation requirements will be further relaxed and the ceiling on the won-denominated settlement of trade transactions will be raised within two years.

This should prepare the way for internationalisation of the Korean won and its widespread use in the settlement of visible and invisible trade deals after 1997.

Although the government has emphasised that the principle of real demand should guide the foreign exchange market, it is considered inevitable that speculation and the increased flow of capital into the country will exert a stronger influence on the exchange rate. This will increase uncertainties and risks in the foreign exchange market, although it will give Korean companies greater autonomy in managing their foreign portfolios.

The government's willingness to accept greater fluctuations in the exchange rate will be a test of its determination to internationalise its capital markets and open up the economy to global influences.

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STANDARD LIFE UNIT TRUSTS				MORGAN GUINNESS INVESTMENT FUNDS LTD				BARCLAYS LIFE ASSURANCE CO LTD				CLERICAL MEDICAL/FIDELITY INVESTMENTS				FRIENDS PROVIDENT - CONTD.				IRISH LIFE ASSURANCE CO PLC - CONTD.				M&P ASSURANCE - CONTD.				NORWICH UNION PENSION MANAGEMENT LTD			
Unit Name	Price	Change	YTD %	Unit Name	Price	Change	YTD %	Unit Name	Price	Change	YTD %	Unit Name	Price	Change	YTD %	Unit Name	Price	Change	YTD %	Unit Name	Price	Change	YTD %	Unit Name	Price	Change	YTD %	Unit Name	Price	Change	YTD %
Standard Life UK Unit Trust	100.00	0.00	0.00	Morgan Guinness UK Unit Trust	100.00	0.00	0.00	Barclays UK Unit Trust	100.00	0.00	0.00	Clerical Medical UK Unit Trust	100.00	0.00	0.00	Friends UK Unit Trust	100.00	0.00	0.00	Irish Life UK Unit Trust	100.00	0.00	0.00	M&P UK Unit Trust	100.00	0.00	0.00	Norwich Union UK Unit Trust	100.00	0.00	0.00

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE

Dollar features in subdued day

Activity in the foreign exchange market was relatively subdued as traders squared positions ahead of today's holidays in many important markets, writes *Conner Middleton*.

However, the US dollar had another volatile day and weakened significantly against the Japanese yen and the D-Mark in late London trading, it closed at DM1.6920, down from DM1.6950 the previous day, and fell as low as DM1.6870 in London after-hours trading. Against the Japanese unit, it ended at ¥107.20, down from ¥108.25 at Tuesday's close.

Throughout the morning, most currencies languished in narrow ranges as traders awaited the release of the October US consumer price index. Following the publication of much lower-than-expected producer prices on Tuesday, traders were looking to the latest CPI data for a clarification of the inflation outlook in the US.

In the event, the 0.4 per cent month-on-month rise in the overall inflation rate was broadly in line with market forecasts, although some who had hoped for a lower number after Tuesday's weak PPI data were disappointed.

"The CPI numbers indicate

we don't have to revise our inflation picture, despite Tuesday's PPI," said Mr. Rainer Marian, senior market analyst at Landesbank Hessen-Thüringen in Frankfurt.

He expects the dollar to continue trading in a DM1.68-DM1.71 range near-term and the dollar-D-Mark rate to continue tracking the yield spread between German 10-year bonds, or bunds, and 10-year US Treasury notes. The benchmark bund currently yields 5.88 per cent, some 12 basis points over its US counterpart, and as that gap narrows, the dollar is likely to appreciate further against the D-Mark, Marian says. However, he warns that the next leg of the rally could be preceded by a correction back to around DM1.67.

The D-Mark gained some support yesterday after comments by Mr. Alexandre Lamfalussy, the future president of the European Monetary Insti-

tute. He said the date of 1997 for creation of a single EC currency was "improbable", which was seen as an indication that the D-Mark would remain the strongest currency in Europe.

Stirling made up most of the losses it posted on Tuesday and posted solid gains on largely technical trading. Against the D-Mark it ended at DM2.4975, up from DM2.4900 on Tuesday, and against the dollar it closed at \$1.4760, up from \$1.4685.

The Belgian franc weakened further as market participants focused on the spectre of widespread strikes over controversial plans for a social pact. The currency weakened to Bfr21.42 to the D-Mark, compared with Bfr21.35 at Tuesday's close. Belgium and France will be closed today for a national holiday.

After stabilising during early London trading, the Canadian dollar later came under further selling pressure.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	Rate	% Change	% Spread	Discrepancy
Deutsch Mark	100	1.6920	-0.18	5.01	-
French Franc	100	16.5500	-0.05	4.58	-
Italian Lira	1,000	1,936.00	-0.02	3.02	-
Spanish Peseta	100	166.3750	-0.01	1.02	-
Portuguese Escudo	100	200.4800	-0.01	0.58	-
Belgian Franc	100	36.3630	-0.01	0.58	-
Dutch Guilder	100	3.6033	-0.01	0.58	-

Unit central rates set by the European Commission. Currencies are in descending order of value. Percentage change and spread are calculated on the basis of the previous day's closing rates. Discrepancy is the difference between the actual rate and the rate calculated from the unit central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from the unit central rate.

Forward rates are quoted for 12 months. The 25% rule states that the forward rate must not deviate more than 25% from the spot rate.

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FINANCIAL FUTURES AND OPTIONS

LIFE LONG TERM FINANCIAL OPTIONS

Strike	Call	Put	Settlement
111	0.05	0.10	0.15
112	0.05	0.10	0.15
113	0.05	0.10	0.15
114	0.05	0.10	0.15
115	0.05	0.10	0.15
116	0.05	0.10	0.15
117	0.05	0.10	0.15
118	0.05	0.10	0.15
119	0.05	0.10	0.15
120	0.05	0.10	0.15

LIFE LONG TERM FINANCIAL OPTIONS

Strike	Call	Put	Settlement
111	0.05	0.10	0.15
112	0.05	0.10	0.15
113	0.05	0.10	0.15
114	0.05	0.10	0.15
115	0.05	0.10	0.15
116	0.05	0.10	0.15
117	0.05	0.10	0.15
118	0.05	0.10	0.15
119	0.05	0.10	0.15
120	0.05	0.10	0.15

LIFE LONG TERM FINANCIAL OPTIONS

Strike	Call	Put	Settlement
111	0.05	0.10	0.15
112	0.05	0.10	0.15
113	0.05	0.10	0.15
114	0.05	0.10	0.15
115	0.05	0.10	0.15
116	0.05	0.10	0.15
117	0.05	0.10	0.15
118	0.05	0.10	0.15
119	0.05	0.10	0.15
120	0.05	0.10	0.15

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Strike	Call	Put	Settlement
111	0.05	0.10	0.15
112	0.05	0.10	0.15
113	0.05	0.10	0.15
114	0.05	0.10	0.15
115	0.05	0.10	0.15
116	0.05	0.10	0.15
117	0.05	0.10	0.15
118	0.05	0.10	0.15
119	0.05	0.10	0.15
120	0.05	0.10	0.15

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119	0.05	0.10	0.15
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120	0.05	0.10	0.15

LIFE LONG TERM FINANCIAL OPTIONS

POUND - DOLLAR				
FOREIGN EXCHANGE RATES				
	1-mth.	3-mth.	6-mth.	12-mth.
Spot	1.4727	1.4676	1.4614	1.4514

[illegible]**CANADA**[illegible]

INDICES

[illegible]

NEW YORK ACTIVE STOCKS

Category	Stocks traded	Closing price	Change on day	T Volume			
				Activity		Millions	
					Nov 8	Nov 5	
Advances	6,035,300	64 1/2	+ 1 1/2	New York SE	273,864	231,241	20,294
Declines	5,089,200	28 1/2	- 1 1/2	Americ	17,385	17,317	28,986
Unchanged	4,454,600	69 1/2	- 1 1/2	Midwest	80	223,643	333,880
High Marks	4,167,200	35 1/2	+ 1 1/2	WTSE			
Low Marks	2,772,100	67 1/2	- 1 1/2	Chicago	2,672	2,689	2,680
Percent	2,712,100	41 1/2	- 1 1/2	Plaza	1,200	1,176	860
Percent	2,618,300	49 1/2	- 1 1/2	Paris	886	896	1,254
Percent	2,403,600	31 1/2	- 1 1/2	Frankfurt	576	48	615
Percent	2,094,900	34 1/2	- 1 1/2	Stock	11	32	31
Percent	2,008,400	20 1/2	- 1 1/2	New York	19	38	104

ALSO COMPARE 4/4861	950.89	9
NETHERLANDS		
000 312-2		

CHINA (1982-1983)	403.7	412.9	411.2	472.1	413.0	371.1	385.0	741.1
CHINA (1984-1985)	366.3	289.7	288.7	230.7	272.0	274.1	181.0	131.1
NORWAY	203.7							
OSLO (1982-1983)	203.7	1007.9	1004.0	1015.87	1034.03	2391.8	668.89	627.11
Oslo (1984-1985)	203.7	2348.07	2361.40	2411.20	2467.50	171.1	1278.08	141.1
Malaga Camp (1979-80)	543.1	538.5	535.18	561.59	563.54	741.73	384.18	132.11
SINGAPORE								
SE-AP (Singapore) (1978-79)	1504.09	1887.0	1890.0	1890.0	2398.00	2407.0	775.00	591.0
SE-AP (Singapore) (1979-80)	457.09	434.0	459.0	458.0	474.0	471.0	433.0	194.0
SOUTH KOREA								
Seoul (1982-1983)	771.89	788.20	775.47	731.0	780.0	1071.1	605.0	63.0
Seoul (1984-1985)								
SPAIN								

CANADA

[illegible]

MONTH SE (30/12/85)	301.65
SWEDEN	

COMPANY NAME (TICKER)	1302.10	1402.80	1402.80	1402.50	1403.10 (14/7)	878.18 (28/7)
Swire Bank Ltd (17/3/98)	1185.33	1181.37	1182.38	1182.38	1182.80 (10/11)	804.00 (17/7)
SBC Group (14/87)	304.43	301.81	318.18	311.83	305.50	678.70 (17/7)
TAIWAN*						
Invested Price (30/9/98)	4181.41	4172.84	4185.62	4186.01	5013.28 (2/11)	3088.43 (9/7)
THAILAND						
Bank of Siam (30/4/98)	7347.82	7315.83	7308.91	7286.47	7337.73 (2/11)	6188.84 (1/7)
WORLD						
US Central Index (21/7/98)	580.47	580.31	592.13	590.17	1307.70 (15/10)	816.84 (15/7)
Bank Top-100 (20/9/98)	1124.01	1140.40	1140.50	1139.77	1172.45 (15/10)	862.78 (13/7)

* Saturday Business & Taiwan holidays: 22/10/98, 22/11/98, 2/12/98, 2/1/99, 2/2/99, 2/3/99, 2/4/99, 2/5/99, 2/6/99, 2/7/99, 2/8/99, 2/9/99, 2/10/99, 2/11/99, 2/12/99, 2/1/00, 2/2/00, 2/3/00, 2/4/00, 2/5/00, 2/6/00, 2/7/00, 2/8/00, 2/9/00, 2/10/00, 2/11/00, 2/12/00, 2/1/01, 2/2/01, 2/3/01, 2/4/01, 2/5/01, 2/6/01, 2/7/01, 2/8/01, 2/9/01, 2/10/01, 2/11/01, 2/12/01, 2/1/02, 2/2/02, 2/3/02, 2/4/02, 2/5/02, 2/6/02, 2/7/02, 2/8/02, 2/9/02, 2/10/02, 2/11/02, 2/12/02, 2/1/03, 2/2/03, 2/3/03, 2/4/03, 2/5/03, 2/6/03, 2/7/03, 2/8/03, 2/9/03, 2/10/03, 2/11/03, 2/12/03, 2/1/04, 2/2/04, 2/3/04, 2/4/04, 2/5/04, 2/6/04, 2/7/04, 2/8/04, 2/9/04, 2/10/04, 2/11/04, 2/12/04, 2/1/05, 2/2/05, 2/3/05, 2/4/05, 2/5/05, 2/6/05, 2/7/05, 2/8/05, 2/9/05, 2/10/05, 2/11/05, 2/12/05, 2/1/06, 2/2/06, 2/3/06, 2/4/06, 2/5/06, 2/6/06, 2/7/06, 2/8/06, 2/9/06, 2/10/06, 2/11/06, 2/12/06, 2/1/07, 2/2/07, 2/3/07, 2/4/07, 2/5/07, 2/6/07, 2/7/07, 2/8/07, 2/9/07, 2/10/07, 2/11/07, 2/12/07, 2/1/08, 2/2/08, 2/3/08, 2/4/08, 2/5/08, 2/6/08, 2/7/08, 2/8/08, 2/9/08, 2/10/08, 2/11/08, 2/12/08, 2/1/09, 2/2/09, 2/3/09, 2/4/09, 2/5/09, 2/6/09, 2/7/09, 2/8/09, 2/9/09, 2/10/09, 2/11/09, 2/12/09, 2/1/10, 2/2/10, 2/3/10, 2/4/10, 2/5/10, 2/6/10, 2/7/10, 2/8/10, 2/9/10, 2/10/10, 2/11/10, 2/12/10, 2/1/11, 2/2/11, 2/3/11, 2/4/11, 2/5/11, 2/6/11, 2/7/11, 2/8/11, 2/9/11, 2/10/11, 2/11/11, 2/12/11, 2/1/12, 2/2/12, 2/3/12, 2/4/12, 2/5/12, 2/6/12, 2/7/12, 2/8/12, 2/9/12, 2/10/12, 2/11/12, 2/12/12, 2/1/13, 2/2/13, 2/3/13, 2/4/13, 2/5/13, 2/6/13, 2/7/13, 2/8/13, 2/9/13, 2/10/13, 2/11/13, 2/12/13, 2/1/14, 2/2/14, 2/3/14, 2/4/14, 2/5/14, 2/6/14, 2/7/14, 2/8/14, 2/9/14, 2/10/14, 2/11/14, 2/12/14, 2/1/15, 2/2/15, 2/3/15, 2/4/15, 2/5/15, 2/6/15, 2/7/15, 2/8/15, 2/9/15, 2/10/15, 2/11/15, 2/12/15, 2/1/16, 2/2/16, 2/3/16, 2/4/16, 2/5/16, 2/6/16, 2/7/16, 2/8/16, 2/9/16, 2/10/16, 2/11/16, 2/12/16, 2/1/17, 2/2/17, 2/3/17, 2/4/17, 2/5/17, 2/6/17, 2/7/17, 2/8/17, 2/9/17, 2/10/17, 2/11/17, 2/12/17, 2/1/18, 2/2/18, 2/3/18, 2/4/18, 2/5/18, 2/6/18, 2/7/18, 2/8/18, 2/9/18, 2/10/18, 2/11/18, 2/12/18, 2/1/19, 2/2/19, 2/3/19, 2/4/19, 2/5/19, 2/6/19, 2/7/19, 2/8/19, 2/9/19, 2/10/19, 2/11/19, 2/12/19, 2/1/20, 2/2/20, 2/3/20, 2/4/20, 2/5/20, 2/6/20, 2/7/20, 2/8/20, 2/9/20, 2/10/20, 2/11/20, 2/12/20, 2/1/21, 2/2/21, 2/3/21, 2/4/21, 2/5/21, 2/6/21, 2/7/21, 2/8/21, 2/9/21, 2/10/21, 2/11/21, 2/12/21, 2/1/22, 2/2/22, 2/3/22, 2/4/22, 2/5/22, 2/6/22, 2/7/22, 2/8/22, 2/9/22, 2/10/22, 2/11/22, 2/12/22, 2/1/23, 2/2/23, 2/3/23, 2/4/23, 2/5/23, 2/6/23, 2/7/23, 2/8/23, 2/9/23, 2/10/23, 2/11/23, 2/12/23, 2/1/24, 2/2/24, 2/3/24, 2/4/24, 2/5/24, 2/6/24, 2/7/24, 2/8/24, 2/9/24, 2/10/24, 2/11/24, 2/12/24, 2/1/25, 2/2/25, 2/3/25, 2/4/25, 2/5/25, 2/6/25, 2/7/25, 2/8/25, 2/9/25, 2/10/25, 2/11/25, 2/12/25, 2/1/26, 2/2/26, 2/3/26, 2/4/26, 2/5/26, 2/6/26, 2/7/26, 2/8/26, 2/9/26, 2/10/26, 2/11/26, 2/12/26, 2/1/27, 2/2/27, 2/3/27, 2/4/27, 2/5/27, 2/6/27, 2/7/27, 2/8/27, 2/9/27, 2/10/27, 2/11/27, 2/12/27, 2/1/28, 2/2/28, 2/3/28, 2/4/28, 2/5/28, 2/6/28, 2/7/28, 2/8/28, 2/9/28, 2/10/28, 2/11/28, 2/12/28, 2/1/29, 2/2/29, 2/3/29, 2/4/29, 2/5/29, 2/6/29, 2/7/29, 2/8/29, 2/9/29, 2/10/29, 2/11/

TOKYO - Most Active Stocks

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	3.1m	223	+5	Suntanto Mid Min	3.3m	836	+10
Mitsubishi Hy	3.6m	637	-4	NEC	3.2m	250	-6
Toshiba	3.6m	1,730	-20	Toyoko Gas	2.8m	890	-10
Fujitsu	3.2m	671	-5	Huany	2.8m	500	-1
Kobe Steel	3.3m	262	-14		2.8m	796	-3

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FAR MORE THAN FINANCE

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200
201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300
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501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600
601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700
701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800
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901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000

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FINANCIAL TIMES
Perrier battle ends with something for everyone

Freight
percentage
age

AMERICA

Dow higher despite rising bond yields

Wall Street

US SHARE prices firmed in light trading yesterday morning, with blue-chip stocks especially strong, in spite of a rise in long-term bond yields, writes Patrick Harrington in New York.

At 1 pm, the Dow Jones Industrial Average was up 15.37 at 3,655.44. The more broadly based Standard & Poor's 500 was 2.05 higher at 462.38, while the Amex composite was down 0.52 at 475.50, and the Nasdaq composite 4.18 higher at 774.02. Trading volume on the NYSE was 163m shares by 1 pm.

Prices struggled from the opening as rising bond yields unsettled market sentiment. The bond market was reacting to rising commodities prices and the latest news on inflation - a 0.4 per cent rise in the October producer price index. Although the increase was

MEXICO was up 2.6 per cent at midday on optimism over the progress of NAFTA. The IPC index was quoted 50.38 higher at 2,004.22.

In Brazil, equities had risen 6.5 per cent by midday on renewed hopes that the government would launch anti-inflationary measures before the year-end. The Bovespa index gained 1,391 at 23,735.

broadly in line with analysts' forecasts, after Tuesday's much better-than-expected producer prices data, the stock and bond markets had been hoping that the consumer price figures would be equally encouraging.

The increase in bond yields immediately fed through into lower equities, and investors were also troubled by a big jump in weekly unemployment insurance claims. The early losses, however, were not substantial, and smaller-company stocks actually started the day with solid gains. By mid-morning

ing the markets had recovered their poise, prices were inching higher across the board, and it was not long after midday that the Dow's gains hit double-figures.

Semiconductor companies were in demand on reports of strong demand for their products. Only last week the sector was hit by selling on concerns about sales. Texas Instruments jumped 3% to \$82, Motorola added 2% at \$102, National Semiconductor firmed 1% to \$17, and Storage Technology added 1% at \$28.

Paramount Communications fell 1% to \$90 in busy trading after administrators banning the disposal of the business empire of Mr Robert Maxwell announced that his Macmillan publishing group would be sold to Paramount for just over \$1bn.

Telefonos de Mexico rose 2% to \$53 as investors suggested that the chances of NAFTA passing congress in a crucial vote next week had been boosted by Tuesday night's televised debate between vice-president Al Gore and NAFTA opponent Ross Perot.

Walt Disney eased 1% to \$41 after the announcement that it would help fund its Euro Disney subsidiary while exploring a possible financial restructuring of the troubled theme park.

Canada

TORONTO recouped early losses to gain slightly at midday on stronger precious metal and real estate stocks. The TSE-300 composite index was up 5.02 at 4,256.41 in turnover of C\$270.82m.

SOUTH AFRICA

JOHANNESBURG had to search for direction but did end the day higher, with gold up on 13 at 4,538 and the overall 24 at 4,031. South African Breweries advanced R1.50 to R65.50 on good results.

EUROPE

Hoechst loses premium after third quarter slide

INFLATION figures in the US cut less ice than they did on Tuesday, writes Our Markets Staff.

FRANKFURT lost Tuesday afternoon's gains, the DAX index closing 1.10 higher on the session at 2,023.54, and the DAX index closing 1.10 higher on the session at 2,023.54, and the DAX index closing 1.10 higher on the session at 2,023.54.

Company results were uninspiring or worse. Mr John Blackley of James Capel chose the first adjective to describe flat profits and dividend from Siemens, which ended the post-bourse with its shares in similar condition at DM7.15.

Capel reckoned that heavy provisioning hit Hoechst, with the chemical company's pre-tax profits down by 40 per cent after nine months and worse in the September quarter. The shares fell DM5.50 to DM268.70, 60% higher than BASF - to which they stood at a DM41, or 20 per cent premium at the beginning of this year.

Meanwhile, Asko's sensitivity to upcoming news was reflected in a new 1993 high on the sale of its stake in Adia, the Swiss employment agency group. The shares rose DM38 to DM99; the sale was predicted in March of this year, but the actuality meant that, for the German retailer, a potential liability was at an end.

PARIS lost virtually all of Tuesday's gains. It was influenced by a number of factors, including a 12 per cent fall in Euro Disney. The CAC-40 index ended down 25.53 or 1.2 per cent at 2,067.32. Turnover was FF9.6bn. The market will be closed today.

Euro Disney was twice suspended, once before the announcement of its FF5.3bn loss for the year ended September, and then when, on resumption, it went limit down at FF37.40. The shares eventually closed off FF5.70 at FF38.00.

Mr Michael Woodcock, French analyst at Nikko Europe, commented that the problem with the theme park had more to do with poor turnover of paying customers than with expenses. "The group has done all it can to reduce expenses, but it has failed so far to attract sufficient quality visitors who will spend," he said.

"The park has also proved to be far more seasonal than Disney ever thought, and compared with other theme parks it still remains expensive."

The operation was faced with huge gearing and a need for massive restructuring, added Mr Woodcock, and it was going to be a long time before the shares attracted investment support.

AMSTERDAM weakened, largely on technically inspired trading related to selling of futures and options. The CSE Tendency index eased 1.8 or 1.3 per cent to 134.2.

Further negative reports regarding Alcazar, which involves negotiations between

four European airlines on forming an alliance, left KLM down FL1.20 to FL136.10.

Royal Dutch closed off FL2.40 to FL201.60 ahead of results which are expected to be released today. Unilever went against the trend with a gain of 60 cents to FL216.60.

MILAN derived little benefit from Senate approval of key parts of the budget late on Tuesday. Shares were dragged lower again by further sharp falls in commodity stocks.

The Comit index gave up 1.33 or 2.4 per cent to 534.65. The SMI index, finished 15.0 higher at 2,742.1.

Bearer shares in Adia, the temporary employment group, shed SF1 to SF173 as the company announced that Mr

FT-SE Actuaries Share Indices

November 10	Open	High	Low	Close
FT-SE Actuaries 100	134.15	134.14	134.04	134.03
FT-SE Actuaries 200	140.25	140.78	140.02	140.01
FT-SE Actuaries 300	146.87	147.43	146.58	146.57
FT-SE Actuaries 400	153.41	153.43	153.38	153.37
FT-SE Actuaries 500	160.01	160.02	159.98	159.97

Source: Reuters (FT-SE) November 10 - 134.15; 140.25; 146.87; 153.41; 160.01

Analysts noted that the very high volume of trading in the shares indicated profit-taking by US investors, already unnerved by the country's fragile political situation. The sell-off was sparked on Tuesday by the exclusion of Italian companies from a possible link between AT & T and the German and French state telephone companies, a development which, yesterday, many analysts doubted would have any negative impact in the medium term on Stet and Sip.

Flat, cutting December car output, shed L77 to L3.345 in volume of 9.4m shares following comments by Mr Giovanni Agnelli that recovery in European car demand could be delayed until the end of 1994.

ZURICH continued higher although shares ended off their best levels with the market unable to maintain the momentum seen on Tuesday. The SMI index, 30 points ahead during the morning, finished 15.0 higher at 2,742.1.

Bearer shares in Adia, the temporary employment group, shed SF1 to SF173 as the company announced that Mr

Klaus Jacobs was buying the Adia stake held by Asko, the German retailer. However, the participation certificates surged SF40 to SF168 in response to news that they will be converted into shares as part of a share simplification plan.

Sulzer, the engineering group, eased SF75 to SF770 after a day's low of SF764 in response to its forecast of steady profits but a fall in new orders. SMH dipped SF6 to SF724 as the watchmaker said it had chosen an as yet unnamed car producer as a partner to build its environmentally friendly Swatchmobile city car.

MADRID's general index closed 1.12 higher at 306.65 in turnover of some Ptas. Trading was edgy, but Ptas to the dollar rose 2.05 to Ptas2410 on a 56 per cent rise in nine-month profits and Ptas to the Catalan utility, put on Ptas7 to Ptas78 on Iberdrola's sale of a 4 per cent stake to Endesa.

Written and edited by William Cochrane, John Pitt and Michael Morgan.

ASIA PACIFIC

Nikkei edges ahead as pressure on JR East subsides

Tokyo

AFTER AN early plunge through the 18,000 level, the Nikkei average finally closed marginally higher after a day of fluctuations, writes Emilio Terasawa in Tokyo.

Shares prices moved on arbitrage activity, margin selling and index-linked buying by financial institutions before the 225-issue average ended 4.00 better at 18,121.71.

The Nikkei saw a low of 17,818.28 in early trading on selling by arbitrageurs and margin liquidation and a high of 18,227.92 later as a rise in the futures market triggered index-linked buying, but in the end, most of the gains were eroded by further selling.

Volume rose to 395.1m shares from 315m. Declines led advances by 751 to 290, with 117 issues unchanged, the

Topix index of all first section stocks shed 9.98 to 1,534.78 and, in London, the ISE/Nikkei 50 index lost 0.83 to 1,235.29.

Fears of a further plunge subsided as selling pressure on East Japan Railway receded. Traders said the stock has become an important benchmark for the market, and many investors still fear that a further fall could drag down other leading shares.

Mr Hirohisa Fujii, the finance minister, blamed the decline of equity prices on the recent state of sluggish corporate results. He said the government was not considering injecting more public funds into the stock market to stimulate prices.

JR East closed unchanged at Y451.00 after initially falling to Y444.00. Nippon Telegraph and Telephone gained Y1.00 at Y756.00. Banks tumbled on index-linked selling; Industrial

Bank of Japan fell Y30 to Y3,190 and Dai-ichi Kangyo Bank Y80 to Y3,200.

Margin selling depressed Fujitsu by Y8 to Y801 and NEC by Y10 to Y893. However, Sumitomo Metal Mining, which had recently lost ground on margin-linked selling, rallied Y10 to Y839 on bargain hunting.

Housing issues were higher on firm condominium sales. Daiwa House Industry moved ahead Y30 to Y1,570 and Dai-ichi Y10 to Y1,060.

In Osaka, the OSX average fell 137.21 to 20,164.03 in volume of 22.1m shares. The index declined on margin liquidation.

Roundup

THE FIRMER tone was mirrored in many of the region's markets. HONG KONG surged 2.6 per cent on a late round of over-

seas demand aimed at blue chips as the market refocused its attention on political developments. The Hang Seng index moved forward 236.97 to 9,325.44 in turnover that reached HK\$5.8bn, compared with HK\$4.7bn on Tuesday.

The late demand was attributed to expectations of positive news from last night's meeting in London between Governor Chris Patten and a British cabinet committee to map out a strategy for future Sino-British talks on Hong Kong's political reforms.

SINGAPORE's Straits Times Industrial index advanced 27.71, or 1.35 per cent, to 2,051.01 as institutional buyers and bargain hunters concentrated their attention on index-linked stocks.

KARACHI was spurred higher by overseas demand on the view that Ms Benazir Bhutto, the prime minister,

will maintain economic reforms begun by Mr Moeen Qureshi, her predecessor, writes Farhan Bokhari.

The KSE index rose 41.00, or 2.5 per cent, to 1,655.47, its highest level for 22 months.

BANGKOK moved ahead 2.45 per cent on heavy demand for financial and property issues. The market index closed at the day's high, up 32.23 at 1,347.62.

TAIWAN finished firmer across the board on a technical rebound after five consecutive days of falls, and the weighted index recovered 18.97 to 4,191.41.

A decline in turnover to a moderate T\$23.49bn from the previous day's T\$27.78bn was attributed to growing caution ahead of local government elections on November 27.

MANILA rallied after a four-day correction, the composite index adding 27.8 at 2,367.57.

KUALA LUMPUR was firm

after its recent volatility and the composite index appreciated 12.23 to 950.89.

NEW ZEALAND continued to be weighed down by post election uncertainty and the NZSE-40 capital index dropped 76.52, or 3.7 per cent, to 2,003.76.

AUSTRALIA drifted lower for the seventh consecutive day in the absence of foreign buyers. The All Ordinaries index fell to 2,034.6 before closing a net 7.9 off at 2,042.5. Turnover totalled A\$322.5m.

SEOUL was easier after a volatile day, the composite index dipping 2.31 to 777.89.

A Finance Ministry plan to allow some financial companies to raise capital in the stock market sparked early strong demand for financial issues, but the activity came to an abrupt halt when investors discovered that the plan excluded banking institutions.

Sri Lanka soars on strong foreign buying

By John Pitt and Mervyn de Silva

THE Sri Lankan equity market has shown an impressive rise over the last week as foreign investors have become even more active.

The market's rally began in May, coincidentally around the time of the assassination of the president, Mr Rana-singhe Premadasa, and as neighbouring markets, such as Pakistan, were also showing signs of coming out of the doldrums.

Since then the Colombo all-share index has climbed by more than 60 per cent and, as measured by the IPC, the market has gained nearly the same amount in dollar terms over the year to date.

Foreign investors dominate equity trading, accounting for between 40 and 60 per cent of daily average turnover, and renewed interest in the country has been sparked in the last week following a conference of overseas institutions held on the island.

EMERGING MARKETS: IPC WEEKLY INVESTABLE PRICE INDICES									
Market	No. of stocks	Dollar terms			Local currency terms			Nov 5 1993	% Change over week on Dec '92
		Nov 5 1993	% Change over week	% Change on Dec '92	Nov 5 1993	% Change over week	% Change on Dec '92		
Latin America									
Argentina	(11)	775.32	-5.6	+33.6	475,759.08	-5.6	+33.6		
Brazil	(44)	213.62	+2.1	+70.8	53,822,938.05	+2.1	+70.8		
Chile	(20)	459.92	-1.4	+9.7	758.73	-1.4	+9.7		
Colombia	(8)	517.87	+0.5	+21.8	749.51	+0.5	+21.8		
Costa Rica	(8)	765.41	-2.0	+13.2	1,027.13	-2.0	+13.2		
Ecuador	(7)	110.96	-6.5	+11.0	146.59	-6.5	+11.0		
Venezuela*	(8)	588.92	-5.8	+9.5	1,299.88	-5.8	+9.5		
East Asia									
South Korea*	(130)	104.88	+6.2	+6.8	111.27	+6.2	+6.8		
Philippines	(11)	238.43	+1.9	+70.3	334.85	+1.9	+70.3		
Taiwan, China*	(76)	87.90	+4.3	+19.1	87.32	+4.3	+19.1		
South Asia									
India*	(61)	90.80	+0.4	-3.1	100.41	+0.4	-3.1		
Indonesia*	(31)	103.40	+2.8	+78.2	118.04	+2.8	+78.2		
Malaysia	(18)	272.16	+0.3	+66.4	256.97	+0.3	+66.4		
Pakistan*	(9)	275.49	+2.6	+37.8	374.06	+2.6	+37.8		
Sri Lanka*	(5)	155.09	+4.5	+55.1	166.22	+4.5	+55.1		
Thailand	(52)	370.15	+2.7	+80.7	372.42	+2.7	+80.7		
Euro/Mid East									
Greece	(17)	217.70	-3.1	+11.5	267.48	-3.1	+11.5		
Jordan	(5)	164.34	-0.7	+40.7	225.84	-0.7	+40.7		
Portugal	(16)	110.20	+0.4	+2.9	131.70	+0.4	+2.9		
Turkey*	(31)	174.71	+1.5	+161.3	1,083.21	+1.5	+161.3		

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries																
NATIONAL AND REGIONAL MARKETS																
	TUESDAY NOVEMBER 8 1993								MONDAY NOVEMBER 8 1993							
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross % Chg Ytd	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	154.45	-0.2	155.93	105.68	136.11	153.88	-0.4	3.37	155.62	155.84	105.28	136.33	154.43	162.93	117.39	112.10
Austria (17)	175.82	-0.2	177.30	120.17	154.76	153.86	+0.4	1.02	177.21	175.46	119.67	153.49	154.47	147.47	131.18	138.21
Belgium (42)	150.72	-0.7	152.16	103.12	132.81	134.55	+0.3	4.28	151.75	151.56	103.84	132.93	134.18	131.19	126.00	131.19
Canada (107)	134.38	-0.1	135.07	91.95	118.41	127.13	+0.9	2.63	134.26	134.45	91.89	117.81	126.00	134.08	141.11	114.85
Denmark (22)	224.14	-0.7	241.43	163.84	210.73	219.70	+0.1	1.03	240.89	241.29	164.53	211.02	219.43	241.38	185.41	153.42
Finland (23)	121.28	-1.4	122.43	82.96	106.86	146.75	-0.3	0.71	122.95	123.12	83.98	107.61	126.99	126.99	101.52	65.50
France (98)	162.72	+0.3	164.28	111.34	143.58	150.85	+1.1	3.08	162.29	162.51	110.83	142.15	149.24	175.05	142.72	147.84
Germany (53)	150.26	-0.1	151.50	89.14	114.78	114.78	+0.5	1.25	150.33	150.51	89.02	114.17	128.13	136.13	101.51	104.66
Hong Kong (53)	999.11	-0.6	998.85	250.52	363.24	363.22	-0.8	3.01	998.40	998.92	251.81	362.74	365.47	368.98	218.62	261.41
Ireland (14)	175.61	+0.5	177.29	120.16	154.75	177.19	+1.3	3.16	174.80	175.05	119.39	153.13	174.87	177.89	153.13	158.61
Italy (70)	82.34	-3.8	82.94	42.65	54.89	77.09	-2.9	2.17	84.88	84.77	44.17	58.88	78.40	79.83	53.76	78.98
Japan (469)	144.00	-2.7	143.39	98.54	126.92	98.54	-2.5	0.83	147.94	148.15	101.08	129.82	101.05	105.91	100.75	100.88
Malaysia (69)	481.93	-1.4	488.36	316.07	407.06	453.83	+1.2	1.51	455.66	456.21	311.14	399.08	448.55	487.72	251.88	279.38
Netherlands (18)	175.77	-0.2	177.44	120.78	154.00	150.87	-0.2	0.81	179.42	179.88	122.53	157.18	160.72	161.00	140.30	138.21
Norway (29)	153.81	-0.1	155.67	122.61	170.79	166.33	+0.4	3.15	194.08	194.35	122.50	170.02	167.47	167.47	150.90	150.29
New Zealand (13)	93.12	+2.2	93.73	43.19	55.92	61.47	+2.0	3.88	91.75	91.94	42.18	54.10	60.28	58.38	40.56	38.25
Poland (2)	158.77	+0.6	159.65	106.46	158.49	158.49	+0.8	1.42	158.02	158.23	106.23	157.74	158.23	158.23	158.23	158.23
Sweden (39)	304.19	-0.7	311.21	208.15	226.05	223.30	-0.7	1.43	306.35	306.78	221.17	224.92	224.92	224.92	207.14	201.18
South Africa (60)	211.06	+4.1	213.08	144.02	195.09	209.23	+0.3	2.68	202.72	203.01	138.46	177.59	202.94	232.75	174.72	142.26
Spain (42)	137.59	-0.6	138.90	94.15	121.44	141.65	+0.0	4.17	134.81	134.84	94.66	121.28	141.65	143.24	115.23	107.33
Switzerland (56)	158.77	+0.6	159.65	106.46	158.49	158.49	+0.8	1.42	158.02	158.23	106.23	157.74	158.23	158.23	158.23	158.23
United Kingdom (218)	146.74	+0.8	148.15	100.41	123.34	138.19	+1.6	1.56	155.49	155.82	102.48	127.58	140.10	168.18	107.54	107.54
USA (519)	164.35	-0.3	166.12	128.13	162.44	156.12	+0.5	3.84	164.90	165.16	126.27	161.96	165.16	183.97	162.02	163.45
World Ex Japan (170)	167.42	+0.1	169.22	128.26	165.17	167.42	+0.1	2.75	167.30	167.56	123.33	164.06	167.30	151.58	175.36	172.65
Australia (751)	156.53	-0.3	158.03	107.11	137.94	151.53	+0.5	2.98	156.94	157.17	107.19	137.49	157.49	162.93	132.92	132.46
Nordest (114)	167.43	-0.7	169.43	128.36	166.36	137.36	+0.0	1.24	158.99	159.25	108.08	156.58	197.27	194.24	142.13	143.78
North America (714)	167.43	-0.7	169.43	128.36	166.36	137.36	+0.0	1.24	158.99	159.25	108.08	156.58	197.27	194.24	142.13	143.78
Europe Pacific (463)	153.87	-0.2	155.67	122.61	170.79	166.33	+0.4	3.15	194.08	194.35	122.50	170.02	167.47	167.47	150.90	150.29
Asia Pacific (463)	153.87	-0.2	155.67	122.61	170.79	166.33	+0.4	3.15	194.08	194.35	122.50	170.02	167.47	167.47	150.90	150.29
North America (826)	164.11	-0.1	165.37	125.99	162.27	163.26	+0.1	2.75	165.81	166.24	125.69	161.20	163.08	167.51	151.1	160.06
Europe Ex UK (533)	123.42	-0.2	125.75	94.74	122.01	131.06	+0.5	2.44	136.77	136.97	94.49	121.53	130.48	143.73	112.51	113.60
Europe Ex Japan (245)	123.42	-0.2	125.75	94.74	122.01	131.06	+0.5	2.44	136.77	136.97	94.49	121.53	130.48	143.73	112.51	113.60
USA (1651)	164.35	-0.3	166.12	128.13	162.44	156.12	+0.5	3.84	164.90	165.16	126.27	161.96	165.16	183.97	162.02	163.45
World Ex UK (1952)	162.89	-0.9	164.16	111.66	143.55	142.55	+0.7	2.06	164.32	164.56	112.34	143.96	143.38	178.66	134.24	132.87
World Ex. So. Afr. (211)	164.57	-0.9	166.15	112.62	143.03	145.77	-0.8	2.23	166.00	166.23	113.39	145.43	146.85	170.46	137.29	135.80
World Ex. Japan (170)	177.54	+0.0	179.24	121.49	156.47	174.08	-0.2	2.81	177.61	177.86	121.32	156.81	173.17	176.67	157.47	155.07
The World (2107)	164.78	-0.6	166.36	112.76	145.22	146.27	-0.8	2.23	166.14	166.37	113.48	145.53	147.15	170.18	137.32	136.53